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Dieppe raid: a propaganda fiasco 50 years on

FINANCIAL TIMES

Friday August 14 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Hopes for South Africa talks suffer setback

Hopes of an early resumption of South Africa's *constitutional talks received a serious setback* when the African National Congress said its preliminary contact with the government had proved "fruitless".

The ANC said there had been "no visible movement" from the government on key demands – for an end to violence, the installation of an *interim government and constituent assembly* elections. It said these demands must be met before talks could recommence. Page 12

Trade bloc fears: Japan, *the EC and south-east* Asian nations expressed concern over the pact between the US, Mexico and Canada to form one of the world's largest trading blocs. Page 12

West Germany's economic growth rate slowed in the second quarter of this year, raising fears that *the official forecast rate of 2-2.5 per cent* for the year may not be met. Page 2

Ceasefire offer: Hardline Islamic guerrillas *in Afghanistan offered a one-day conditional* ceasefire to allow foreigners to leave Kabul as they pounded the capital with rockets. Page 3

Canary Wharf's bankers voiced *strong* opposition to a US consortium bid for control of the east London property development. Earlier, Hanson, *the conglomerate, dropped plans to make* an offer for the project. Page 13; Hanson results, Page 13; Lex, Page 12.

Britain's *financial institutions boosted overseas* earnings by 12.8 per cent to £16.9bn ($32.6bn) in 1991, underlining the importance to the economy of London's role as a financial centre. Page 5

Gold price
$ per troy ounce in London

Gold prices slide
Gold prices tumbled *in London in the wake* of Wednesday's plunge in New York. Analysts said global recession, heavy selling by Australia and the slump on the stock market in Japan had hit sentiment. Gold prices were also dragged lower by a sharp decline in the platinum market. Gold closed at $338.25 a troy ounce, down $8.10, its lowest level for two months. Platinum finished $16 lower at $351.75 Page 22

Sterling *dropped below DM2.82 for the first* time since Britain joined the Exchange Rate Mechanism, closing in London at a 27-month low of DM2.817. It later declined to DM2.8132 in New York. The dollar was also weak, closing at DM1.4580, against DM1.464. Currencies, Page 30

Consumer prices *and* retail sales in the US remained flat last month, providing further evidence of sluggish economic conditions. But the Congressional Budget Office said the economy was on the verge of recovery. Page 4

Explosives haul: Police confirmed they had seized a "very large quantity" of explosives and arms in their operation against IRA suspects in London. Several people have been detained.

Drug lord indicted: *Colombian drug lord* Pablo Escobar and an alleged assassin who works for him were indicted in the US on charges they conspired to bomb an airliner that exploded over Colombia in 1989, killing 110 people.

More foreigners attacked: Extreme *right-wing attacks against foreigners in Germany* increased more than 500 per cent last year, according to the Bonn government. Page 2

KLM Royal Dutch Airlines *reported* a 72 per cent decline in first-quarter net profit, due partly to increased losses at NorthWest Airlines, the US carrier in which it owns a substantial minority stake. Page 14

Thomson Corp, Canadian-controlled travel and newspaper group, saw second-quarter earnings fall 11 per cent because of fierce competition in the UK travel market and weakness in North American newspaper advertising. Page 15

Hang Seng Bank, Hongkong and Shanghai Bank subsidiary, reported a 22 per cent rise in net profits to HK$2.3bn ($300m) in the six months to end-June 30 and forecast a 67 per cent increase in dividends for the year. Page 13

Royal Insurance, UK composite insurer, suffered interim pre-tax losses of £79m ($152m), against £97m last time, as problems in the housing market continued to undermine the group's recovery. Page 13; Lex, Page 12

■ STOCK MARKET INDICES

FT-SE 100:	3,318.8	(+14.9)
Yield	5.16	
FT-SE Eurotrack 100	1,036.59	(-2.17)
FT-A All-Share	1,193.78	(+0.6%)
Nikkei	14,788.17	(-5.62)
New York Lunchtime		
Dow Jones Ind Ave	3,319.75	(-1.08)
S&P Composite	418.12	(+0.34)

■ US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.147%
Long Bond	107⅜
Yield	7.331%

■ LONDON MONEY

3-mo Interbank	10¼%	(10¼%)
Liffe long gilt future:	Sep 96⅜	(Sep 96 11/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$19.9	(19.725)

■ Gold

New York Comex (Aug)	$334.1	(338.6)
London	$338.25	(346.35)

■ STERLING

New York Lunchtime:		
$	1.933	
London:		
$	1.9315	(1.928)
DM	2.8175	(2.8225)
FFr	9.555	(9.5675)
SFr	2.54	(2.545)
Y	245.75	(246.25)
£ Index	92.1	(92.0)

■ DOLLAR

New York Lunchtime:		
DM	1.45625	
FFr	4.94	
SFr	1.3125	
Y	126.625	
London:		
DM	1.4585	(1.464)
FFr	4.9475	(4.9625)
SFr	1.315	(1.3205)
Y	127.2	(127.7)
$ Index	60.1	(60.3)

Tokyo close Y 127.37

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr160	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2600	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Resolution says use of troops to protect relief supplies would be last resort

UN to adopt plan for Bosnia

By Michael Littlejohns at the United Nations, Laura Silber in Belgrade, and Judy Dempsey in London

THE United Nations Security Council was last night due to adopt a resolution threatening the use of force as a last resort to *protect relief supplies in Bosnia-Hercegovina.*

The move came as western governments backed further away from military involvement in the former Yugoslav republic. President François Mitterrand of *France said a military campaign would be "a fearsome effort"*, and the Italian defence minister, Mr Salvo Ando, warned the west not to get sucked into a long guerrilla war.

UN diplomats said any use of force aimed at protecting humanitarian aid convoys would be under the auspices of the UN. But it was unclear from the draft resolution what kind of force might be used and by whom.

The draft resolution referred to "all measures necessary". Sir David Hannay, Britain's ambassador to the UN, said details still had to be worked out. He emphasised that the draft resolution did not prescribe the use of force.

"It is a resolution which is authorising it as a last resort," he *told reporters. Britain, which currently* chairs the European Community presidency, has been accused of failing to provide leadership in trying to stop the war and killing in Bosnia.

Page 2
■ Resolutions shy from direct military intervention
■ US pledges to act on war crimes

Reacting to the resolution, Mr Muhamed Sacirbey, Bosnia-Hercegovina's ambassador to the UN, strongly criticised what he termed a "Band Aid approach" to the turmoil in his country.

"I am afraid that this approach may end up with the patient on the operating table, ostensibly to help him, but that he may then be dismembered," he said.

Mr Sacirbey also complained that there was an attempt being made to deal with the situation in a way that did not fully acknowledge Bosnia-Hercegovina's sovereign status as an independent member of the UN.

He said the real issue was Bosnia's right to self-defence and how to exercise this, along with *ensuring that relief aid was delivered.*

The US, Britain, France, Russia and Belgium co-sponsored the resolution and a second text strongly condemning "ethnic cleansing", and demanding an *immediate end to all breaches of* international humanitarian law.

This resolution also calls for "immediate, unimpeded and continued access to camps, prisons and detention centres within the territory of former Yugoslavia," by humanitarian organisations, particularly the Red Cross.

Despite mounting pressure from public opinion for some form of military intervention in Bosnia, several European governments were yesterday united in their determination to resist being involved in Bosnia.

President Mitterrand, in an interview with Sud-Ouest daily, said that "adding war to war would not solve anything," in Bosnia.

The growing reluctance by western governments to intervene coincided with fresh evidence that Bosnia's Serbs are continuing to deport Moslems forcibly from their homes and out of the republic.

Italian cabinet suspends capital gains tax

By Haig Simonian in Milan

ITALY'S new government suspended its complex capital gains tax yesterday as part of a new package of measures and draft laws to advance its ambitious privatisation programme.

Stockbrokers have attributed part of the recent decline in equity trading to the effects of the tax, which was introduced last year and which offers investors a choice of paying either of two rates – 15 per cent and 25 per cent – according to a complex *formula* which investors must choose in advance.

Mr Giovanni Goria, the finance minister, stressed that the steps were aimed at "cooling investors' desire to sell shares and reinforcing that to buy", particularly of new issues. He said it did not imply that the government accepted that the market's current *difficulties stemmed from* the tax treatment of investors.

In a seven-hour cabinet meeting ministers also authorised the four public sector groups transformed into joint stock companies last week as a first step towards privatisation, Iri, Eni, Enel and Ina, to revalue their portfolios.

Iri, the biggest of the four, which has consolidated debts of more than L60,000bn ($53bn), experienced difficulties after the change of status, because Italy's civil code forbids joint stock companies to issue debt if their own capital is inadequate. The new decrees will allow the groups to revalue their holdings free of tax, instantly raising their capital and getting round the legal knot.

The new measures coincided with the decision by Moody's, the US debt rating agency, to downgrade Italy's foreign currency borrowings. Moody's lowered the rating for Italy, already the only member of the world's seven leading industrialised countries not to have a top-notch triple A status, to AA3 from AA1.

Expectations of the move, which had already caused the lira to slip against the D-Mark in foreign exchange trading earlier this week, obliged the Bank of Italy to intervene to prevent a move against the currency. The lira closed at L759.175 against the D-Mark, compared with L757.150 on Wednesday, after the central bank sold DM100m and Ecu25m in a deliberate signal of its readiness to intervene in the markets.

The government yesterday also tidied up television broadcasting concessions, with long-awaited legislation confirming the roles of the main broadcasters.

The cabinet also approved draft *laws to create a new supremo for* internal security, who will attempt to improve co-ordination between the police, the military-style carabinieri and the guardia di finanza, Italy's three separate police forces.

Man in the crowd: Georgian leader Eduard Shevardnadze is surrounded by body guards amid a crowd gathered to show support for the government. Some 3,000 troops were yesterday hunting for anti-government rebels who kidnapped a group of officials including Roman Gventsadze, the interior minister, earlier this week

Lufthansa prepares cost-cutting moves

By Christopher Parkes in Bonn

LUFTHANSA, the struggling state-controlled German airline, has prepared a cost-cutting package designed to eliminate losses and prepare it for privatisation.

Confirming a pre-tax deficit of DM542m ($366m) for the first six months of this year, the airline said last night that its supervisory board would be asked to approve the measures at a meeting on August 31.

The national flag carrier's losses increased from DM331m last time in spite of selling 19 per cent more tickets in the first half, *which boosted turnover 9 per* cent to DM7.2bn, and raising DM105m from the sale of 23 surplus aircraft.

No details of the cost-cutting package have been released officially, but the workforce has been prepared for a fresh round of job cuts, in addition to this year's planned 1,800 reduction in *the 50,000-strong payroll.*

The latest issue of the company magazine said the number of administrative staff had increased 47 per cent since 1986. Personnel costs were more than a third higher than those of British *Airways, wrote board member Mr* Adrian von Dörnberg.

Plans to scrap first-class services on European flights are expected to save DM600m a year, and Lufthansa is also likely to reduce its fleet further.

Other measures could include *stepping up last-minute ticket* sales to try to improve load factors. At present, only 60 per cent of seats are filled on the average flight.

The company blamed its continuing decline on worldwide market weakness and overcapacity, "exorbitant" tolls at German airports, high insurance *costs and the transatlantic prices* war. Earlier this month Lufthansa announced price cuts on some US routes of up to 36 per cent. Heavily loss-making flights out of Charlotte, North Carolina and Philadelphia will be can*celled from October* 25.

The weakness of the dollar was also costing the airline more than DM100m a year, the company said.

Apart from the urgent need to stem losses, the Lufthansa management is under pressure to prepare the business for full privatisation. The government recently announced that it aimed to press ahead with the sale of a range of state assets.

Lufthansa, with Telekom, the national telecommunications network, was named among the prime privatisation candidates.

Bonn, which still controls more than 50 per cent of the equity, wants to raise funds to cut mounting federal debt and help ease the costs of financing economic redevelopment in the former GDR.

CONTENTS

Bush calls on Baker to revive election campaign

By Jurek Martin in Washington

PRESIDENT George Bush yesterday finally called on Mr James Baker, his old friend and the US secretary of state, to pull his political chestnuts out of the fire.

On August 23 Mr Baker will become White House chief of staff, *the position he held in President* Ronald Reagan's first term.

Mr Bush, conceding that many Americans were "anxious" about the future, said Mr Baker's prime task was to lay before the public a coherent set of domestic, foreign and economic policies for a second term in office.

To this end he is being given sweeping powers over the campaign and policy, including supervision of the Middle East peace negotiations.

The absence of coherence, combined with occasional hysteria in the Bush campaign to date, helps explain why Mr Bush is so far behind Mr Bill Clinton, the Democratic presidential candidate, in the polls.

The deficit has narrowed little recently. The latest Washington Post/ABC News poll out yesterday still had Mr Clinton ahead by 60 per cent to Mr Bush's 34 per cent, a lead only one point less than in its previous survey.

Mr Bush described Mr Baker as "a committed trustee of the American interest" as well as "the sort of man you want on your team".

That team is going to be reshaped by Mr Baker, who is bringing with him four trusted aides from the state department, including Ms Margaret Tutwiler, the spokeswoman, Mr Robert Zoellick, the economics expert, and Mr Dennis Ross, head of policy planning.

Mr Baker replaces Mr Samuel Skinner, who is being shunted aside to the honorific job of general chairman of the Republican *National Committee.*

Mr Robert Teeter remains as nominal campaign chairman, but reporting to Mr Baker as well as to the president. Mr Lawrence Eagleburger, Mr Baker's deputy,

Continued on Page 12
Career man, Page 4

NEWS: EUROPE

US pledges to act on war crimes

By Frances Williams in Geneva

THE US and the European Community yesterday pledged to help bring to judgment those guilty of war crimes in the former Yugoslavia.

Speaking on the first day of a two-day exceptional session of the United Nations Human Rights Commission, Mr John Bolton, US assistant secretary of state for international organisation affairs, said the US was "fully prepared with others to see that individuals guilty of violations of international law and human rights principles are held strictly accountable".

He referred to a resolution expected to be approved by the UN Security Council late yesterday or today which urges states and organisations to provide information on possible war crimes to the Security Council.

A US-drafted resolution put to the Human Rights Commission, which already commands broad support among the 53 members, calls for appointment of a special human rights investigator to report by the end of the month on human rights abuses in Bosnia-Hercegovina and elsewhere in the former Yugoslavia. It also demands immediate access for the International Committee of the Red Cross to all places of detention.

For the EC presidency, Mr Martin Morland, Britain's ambassador to the UN in Geneva, said the investigator's report should include recommendations on compiling evidence of human rights violations "so that those responsible can be brought to book". "In that way, we can also send a clear message that ... the international community will not tolerate gross violations, nor allow them to be forgotten."

The threat of war crimes prosecutions is seen by western diplomats as one of the few ways the international community can deter further atrocities in the Bosnian conflict short of direct intervention.

Mr Bolton warned the warring factions that seized territory would never receive international sanction.

"Any state enlarged through the bloodshed of innocent civilians is an international pariah, an outlaw state", he said. "The sooner the parties accept this fundamental fact, the sooner we can turn to peacefully resolving this crisis."

Mr Ejup Ganic, a member of the Bosnian presidency, told the Commission that Serbian agression in Bosnia had resulted in tens of thousands of deaths, more than 150,000 injured and 1.8m uprooted from their homes.

He claimed that Serb militias had established more than 100 concentration camps holding more than 120,000 people. Mr Ganic called for ICRC inspection of the camps, permanent human rights monitors in the region and the setting up of a war crimes tribunal.

● In London, the Liberal Democrats urged the government to take in more refugees from the battle zone and renewed their calls for "safe havens" to be set up within Bosnia for displaced persons, writes David Owen.

Drawing on his experiences during a recent visit to Serbian-held areas of Bosnia, Mr Paddy Ashdown, party leader, said the EC should "sit down and work out a formula" for the equitable sharing of the refugee burden.

Red Cross appeals for humanity

By Frances Williams

THE International Committee of the Red Cross yesterday issued a solemn appeal to all the warring parties in Bosnia-Hercegovina to comply with their obligations under international humanitarian law.

The rare public appeal by the Geneva-based organisation, which normally works confidentially behind the scenes to help individual victims of conflict, reflects concern over the scale and depth of human rights violations in Bosnia and its failure privately to persuade the parties to respect basic humanitarian principles laid down in the Geneva Conventions.

Urgent measures are needed to "guarantee the physical and moral integrity of detainees", the statement says, adding that the ICRC has had only limited access to regions of Bosnia while repeated requests for complete lists of detention centres and detainees have not been met.

The ICRC has so far visited 11 camps in Bosnia-Hercegovina holding up to 6,000 people, three controlled by Serbs, six by Croats and two by Muslims.

Mr Pierre Gauthier of the ICRC said yesterday the ICRC had not been granted permission to visit Serb-run Omarska, where conditions filmed by television reporters last week caused an international outcry. Nor could it visit Bosko, situated in a war zone. This is contrary to the Geneva Conventions, Mr Gauthier said.

Among specific targets of the appeal, the ICRC calls for an end to forced transfers of population, immediate steps to improve living conditions in detention centres, immediate notification of all places of detention and detainees, and full and secure access for ICRC delegates.

● A UN relief convoy carrying 80 tonnes of food and medical supplies yesterday went into the northern Bosnian town of Banja Luka in what the High Commission for Refugees said was a move to increase the presence of international observers in an area where some 28,000 people are threatened with expulsion.

Earlier this week the UNHCR refused Serb demands to evacuate the people, all non-Serbs, on the grounds that this would make it a de facto accomplice to the "repugnant policy" of "ethnic cleansing".

Ejup Ganic, vice-president of Bosnia: seeking redress

Foreigners suffer sharp rise in attacks

By Christopher Parkes

THE German government yesterday said that the root cause of a sharp increase in right-wing attacks against foreigners was the recent surge in the number of asylum-seekers in Germany.

Presenting a catalogue of violence assembled by constitutional protection agencies which include the secret service, Mr Rudolf Seiters, interior minister, said neo-fascist and extreme right-wing attacks against foreigners in Germany increased more than 500 per cent last year.

Although the escalation has since slowed, a government report released yesterday indicates an increasing level of violence.

Seven people have been killed in the first seven months of this year, compared with three during 1991. About 30 per cent of the 650 assaults so far counted involved arson or explosives.

Bombs or fire were used in 383 of the 1,483 attacks recorded last year.

Referring to the rise of the right in France, Italy and elsewhere, he said the problem was not uniquely German. Democracy was not in danger from the estimated 39,800 extreme right-wingers in Germany at the end of last year, he claimed.

The figure includes 4,200 loosely organised neo-Nazi skinheads 3,000 of them in eastern Germany registered in Mr Seiter's annual report for the first time as a separate grouping.

According to recent estimates there are around 6m foreigners living and working in Germany. The main targets for attack, however, are asylum-seekers.

More than 45,000 arrived in July, swelling the year's total to 233,000 compared with 256,000 for the whole of 1991.

Membership of the German People's Union, DVU, one of the extremist parties which drew international attention recently when it won seats in the Bremen and Schleswig-Holstein state elections, grew by 2,000 last year to 24,000, the report said.

The far-right Republicans, which have also made big gains, are under active observation by state authorities, the report said.

Pan-German economic growth slows

By Christopher Parkes in Bonn

THE growing strength of the D-Mark and unease about international growth prospects has shaken Germany's confidence that the domestic economy will regain momentum later this year.

The government stands by its official forecast of 2-2.5 per cent pan-German economic growth this year, but in a report yesterday the economics ministry gave the first official hint that expectations may not be met.

Real western German growth slowed in the second quarter of this year, falling by between 0.5 per cent and 1 per cent compared with the first three months, the economics ministry said. This represented a return to normal after the 2 per cent quarter-on-quarter gain recorded between January and April, due mainly to mild weather conditions.

However, there were also signs of reduced momentum in the domestic economy and doubts about recovery elsewhere. "Until now there has been a general expectation of improving external demand. How strong this will be is admittedly uncertain," the ministry said in its August report. "The picture of the world economy, after positive indications in the first quarter, has recently become vague again. The high exchange rate of the Deutschemark against the US dollar could reduce the competitiveness of west German companies."

The report expressed concern at the rising number of companies planning job cuts, while recovery in the east was less marked than expected.

The ministry repeated its claim that domestic demand should rise because of tax cuts and higher disposable incomes. But independent economists suggest consumer confidence has been eroded by fears of increases in indirect taxation and growing unemployment.

Manufacturing companies have announced big payroll cuts in the past few months. The Baden-Württemberg government said yesterday that 2 per cent of industrial jobs in the state had been lost in the year to the end of June.

The southern state, home to Daimler-Benz and its Mercedes Benz motor subsidiary, said 6,000 vehicle manufacturing jobs had been lost. There were 23,000 fewer workers making plant and machinery, and the electronics industry had cut its workforce by 3,600.

Russian directors call for old fashioned remedies

By Leyla Boulton and Dmitry Volkov in Moscow

A GROUP of Russian manufacturers yesterday demanded that the government reverse its course of radical economic change or resign.

The meeting of 1,460 directors, representing only part of the country's industrial lobby, approved a series of demands including price controls and the indexation of wages and enterprises' working capital, but it fell short of its original plan to call for the immediate resignation of Prime Minister Yegor Gaidar.

The conference was the latest lobbying effort on the part of enterprise managers to get more government money as it tries to come to grips with the debt crisis hurting much of Russian industry.

Mr Arkady Volsky, head of the Russian Union of Industrialists and Entrepreneurs – who sees himself as more progressive than the Industrial Union parliamentary faction which organised the meeting – told delegates he understood their anger but that new policies could not elaborated in one day.

Not all directors shared the meeting's angry tone. Mr Alexei Novikov, director of the GAZ car plant in Nizhny-Novgorod, said that although "corrections' of policy were necessary, the government was on the right track.

● Georgian leader Eduard Shevardnadze sent 3,000 troops yesterday to hunt out anti-government rebels who rejected an ultimatum to free Mr Roman Gventsadze, the kidnapped interior minister, Reuter reports from Zugdidi.

The ruling State Council said the troops were heading towards rebel strongholds in the west of the country.

The Georgian government blames ex-president Zviad Gamsakhurdia, toppled in a bloody revolt last January, for masterminding Tuesday's abduction of a dozen officials including the interior minister. Mr Gamsakhurdia has denied responsibility.

Resolutions shy from direct military intervention

By Judy Dempsey

THE two resolutions which were yesterday presented to the United Nations Security Council authorise all necessary measures aimed at protecting the humanitarian relief operation in Bosnia.

But they fall short of calling for explicit military involvement to protect aid convoys, let alone as a means of halting the war or ending the process of "ethnic cleansing" in the former Yugoslav republic.

The two resolutions are backed by Britain, France, the US, Belgium and Russia.

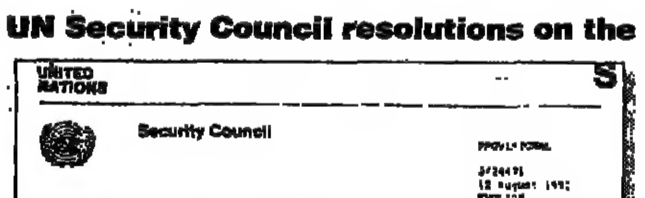
The text of the first resolution, however, has left many countries, particularly the Islamic, and east European states, dissatisfied.

"The point is that the first resolution, which authorises all necessary measures to ensure the delivery of humanitarian relief supplies to Bosnia, is an incremental step towards applying force," a Nato diplomat said.

The second resolution, which deals specifically with violation of human rights in Bosnia, strongly condemns the practice of "ethnic cleansing."

In the first resolution's original draft, drawn up by the US last week, Washington wanted a specific reference to the government of Bosnia.

UN Security Council resolutions on the war in Bosnia


UNITED NATIONS
S
Security Council

First resolution:
(On use of force)
Underlining once again the imperative need for an urgent negotiated political solution to the situation in Bosnia and Hercegovina to enable that country to live in peace and security within its borders;
Reaffirming the need to respect the sovereignty, territorial integrity and political independence of Bosnia and Hercegovina;
Recognizing that the situation in Bosnia and Hercegovina constitutes a threat to international peace and security.
Deeply concerned by reports of abuses against civilians imprisoned in camps, prisons and detention centres;
The UN is determined to establish as soon as possible the necessary conditions for the delivery of humanitarian assistance wherever needed in Bosnia and Hercegovina, in conformity with resolution 764 (1992)
Acting under Chapter VII of the UN Charter:
1. Reaffirm its demand that all parties to the conflict immediately cease all military activity in Bosnia and Hercegovina;
2. Calls upon states to take nationally or through regional agencies or arrangements all measures necessary to facilitate in co-ordination with the UN delivery of relevant UN humanitarian organisations and others of humanitarian assistance to Sarajevo and wherever needed in other parts of Bosnia and Hercegovina;
3. Demands that unimpeded and continuous access to all camps, prisons and detention centres be granted immediately to the International Committee of the Red Cross and other relevant humanitarian organisations and that all detainees therein receive humane treatment, including adequate food, shelter and medical care.

Second resolution:
(Human rights violations)
Acting under chapter VII of the UN Charter
1. Reaffirms that all parties to the conflict are bound to comply with their obligations under international humanitarian law and in particular the Geneva Conventions of 12 August 1949, and that persons who commit to order the commission of grave breaches of the Conventions are individually responsible in respect of such breaches.
2. Strongly condemns any violation of international humanitarian law, including those involved in the practice of "ethnic cleansing";
3. Requires that all authorities in the former Yugoslavia, and all military forces in Bosnia and Hercegovina, comply with the provisions of the present resolution and its previous resolutions, failing which the Council will need to take further measures under the Charter.
Note: Edited version

"A provisional resolution stipulated that all humanitarian efforts should be performed in conjunction with the government of Bosnia-Hercegovina. But some EC countries opposed this," said a US diplomat. "We wanted to give the government of Bosnia some backing and recognition," he added.

The final draft does recognise *the need to respect the sovereignty, territorial integrity and political independence of Bosnia and Herzegovina.* But a Nato diplomat described this article as "an insult" to the Bosnian population.

"Entire villages have been destroyed. Tens of thousands have been forcibly deported. Serbs have grabbed 70 per cent of the territory. Croatia has grabbed some land as well. We should be talking about ways to reconstruct the republic of Bosnia," he added.

As a means of defending the republic of Bosnia, the Organisation of the Islamic Conference (OIC), an umbrella for the 46 Islamic countries, and which recently set up its own contact group or lobby at the UN, tried to "give more teeth" to the first resolution, a Turkish diplomat at the UN said.

"We wanted Bosnia to be excluded from the UN arms embargo imposed on all the republics of the former Yugoslavia," he said. "Our amendments never made their way into the Security Council. We are very disappointed with the resolution, but we just have to accept it, and see how we proceed from here."

However, the implicit use of force is spelt out in article two of the first resolution. It calls upon states *to take...all measures necessary to facilitate...the delivery of...humanitarian assistance to Sarajevo and wherever needed in other parts of Bosnia and Herzegovina.*

But Mr Muhamed Sacirbey, Bosnia's ambassador to the UN, said that the precise interpretation of what is meant by "all measures necessary" should have been spelt out.

The reluctance by the west to intervene is also reflected in the second resolution, which concerns the violation of human rights in Bosnia.

Article 3 demands that *all authorities in the former Yugoslavia and all military forces in Bosnia and Herzegovina, immediately cease and desist from all breaches of international humanitarian law...*

"How can we implement this article?" an Austrian diplomat asked. "The Serbs are armed to the teeth. I don't know how this clause will stop the intimidation and killing which is taking place in those towns and villages which are not visited by aid agencies, or the media. Without using force, and its success is not even guaranteed, I don't know how we can make any side comply with the resolutions," he explained.

Spain's annual inflation rate slows to 5.2%

By Peter Bruce in Madrid

SPAIN'S consumer price index rose just 0.3 per cent in July, well below market expectations, to draw annualised inflation down a full percentage point from June, to 5.2 per cent.

The figures are the best recorded in a July in Spain since 1983 and were greeted with delight by the government, which had to revise upwards its 1992 inflation forecasts after big price rises at the beginning of the year.

The Finance Ministry said the July figures would help narrow Spain's inflation gap with the EC's best performers and said the low CPI rise was due mainly to weak food costs.

Portugal lifts curb on capital movements

By Richard Waters

PORTUGAL is to lift restrictions on capital movements which were imposed last year to prevent investment from overseas upsetting the country's monetary targets.

The Bank of Portugal said that all remaining restrictions would be lifted in three phases by the end of the year.

The first phase will come on August 31, when Portuguese borrowing in foreign currency will be excused the obligation to deposit 25 per cent of the money in interest-free accounts with the central bank.

Foreigners will be allowed full access to the Portugese money markets from December 31.


Barucci: man in the front line

The man who must bite Italy's budget bullet

Haig Simonian interviews treasury minister Barucci, key figure in the government's war on spending

MR PIERO Barucci, Italy's treasury minister, may be forgiven for thinking he is one of the most sought-after men in the country. As an architect of the new government's accelerated privatisation programme, "at least 200" merchant bankers are now knocking on his door to sell their wares.

A similar-sized posse of executives – this time creditors – would like to discuss their grievances at the government's handling of Efim, the state holding company put into voluntary liquidation last month.

Dissatisfaction over Efim, especially among foreign banks, which reacted frostily to yesterday's cabinet decree on the company's debts, could come at a bad time for the government, which will have to rely largely on foreign markets to take up its privatisation issues.

As if that was not enough, the first assault on the popularity of the treasury minister, traditionally the lynchpin of the government's economic policy, could come from Italians anxious to hear what his 1993 budget plans, to be announced next month, will hold.

Mr Barucci is in the front line of the fight to axe spending and tackle the ballooning budget deficit. The challenge has already triggered reports of "draconian" measures in store.

"We intend to be decisive, not dramatic," says Mr Barucci in his first interview since taking office. "The budget will be neither Shakespeare nor Verdi". The trick, he admits, will be to reduce private consumption without plunging the fragile economy into recession.

"On taking office, we were confronted by a foreign exchange and bond crisis following the Danish referendum result and signs that our 1992 deficit would reach L180,000bn (£84bn)," he says. "We had to move fast to cut that figure and reassure the financial markets. It should be considered a miracle in the Italian context that we managed to transform our decree on a L30,000bn emergency 1992 budget into law within a month".

With the immediate crisis behind them, ministers are now looking ahead. However, their room for manoeuvre is limited by the continuing weakness in world economic growth, meaning Italy's economy will expand by less than 2 per cent next year, and the fact that the deficit is still swelling. And they need to maintain a tight monetary policy to fight inflation, despite the attractions of lower interest rates, which would reduce the immense burden of servicing the deficit.

"We have already managed to pass four decrees which will should bring the deficit under control. But you can't expect them to take effect in just a few months. That's the problem we face with next year's budget".

The decrees cover various spending categories, notably Italy's bloated pensions system. Its mushrooming growth has been among the biggest contributors to the deficit. Mr Barucci is confident the measures to reform pensions will be enough, in spite of criticisms that they are too tame.

"The 1993 budget will have to be decidedly anti-inflationary, but it will also have to guard against recession," notes Mr Barucci. He recognises the risks in choosing the wrong policy mix. "It's a real puzzle, which we'll have to address by a careful balance between fiscal and price policies. That's why I've always said the hardest test for this government will be in September".

Mr Barucci is taciturn about what will be unveiled on consumption. Rumours are already circulating about a possible rise in the basic rate of income and value added tax from their current levels of 19 per cent. "Nothing has been decided yet," he says. "We'll start discussions on the basis of projected figures at the end of this month. But it will be the end of September - the official deadline for the 1993 budget plans - before you see the details."

But while Mr Barucci appreciates the government, based on a wafer-thin 16-seat parliamentary majority, could easily be toppled, he draws confidence from its achievements so far, based partly on MP's distaste for new elections and the lack of an effective opposition.

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South African mine's radical accord signed

By Philip Gawith in Johannesburg

A RADICAL agreement has been signed between employees and management at the Harmony gold mine in the Orange Free State which opens the way to more co-operative labour relations in the gold mining industry.

The agreement, reached between the National Union of Mineworkers (NUM) and Harmony, a member of the Rand Mines group, lays the basis "for union and management co-operation in securing the survival of the mine." Harmony, which employees 14,000 people, is the largest gold mine in South Africa threatened with closure owing to its marginal profitability.

The agreement follows close on the heels of a code of conduct signed between the NUM and the Anglo-American group in June seeking to stop violence at the mines and the abuse of a wide range of labour and civil rights. The two agreements testify to a more mature industrial relations climate in the industry. The NUM said the agreement took both parties "into areas in which union/management has never before been tried".

Features of the Harmony agreement include the lowest wage increase in the industry, a profit sharing scheme, an agreement to minimise the effect of work stayaways on production and the introduction of a "collective bargaining fund".

It also provides for negotiations with the NUM on new work practices and new technology to improve efficiency, negotiations on skill training and an improved production bonus.

Although wages will only rise by R30 (£5.70) a month – below 2.5 per cent on average – 20 per cent of profit, after capital expenditure, will be paid to workers as a bonus.

The agency shop involves all workers, including non-NUM members, paying 1 per cent of their basic pay to the fund.

NEWS IN BRIEF

UN presses ahead with Somalia plan

THE UNITED NATIONS, moving swiftly to follow up a breakthrough agreement with Somalia's warlords, proposed last night to send in 500 Pakistani troops to ensure the safe delivery of food and other aid to millions of starving people, Michael Littlejohns reports from the United Nations in New York.

Mr Boutros Boutros Ghali, the UN secretary-general, formally notified the Security Council about the plan and officials said its assent seemed routine.

No further meeting to authorise the UN action was envisaged as the council had already agreed on measures to protect the aid programme.

While the accord with the Somali leaders calls for the deployment of UN soldiers within 21 days, Mr Kofi Annan, the UN official in charge, said it was hoped the Pakistanis could be in the country in a fortnight.

"Flying in the troops is the easy part," he said. Deploying them might take a bit longer - even "several weeks".

It was still unclear whether Mr Boutros Ghali's original idea of using a ship in Mogadishu harbour as a base for the troops would be implemented. Mr Annan said the agreement with the warlords made it more likely that the UN units could be land based.

Their task would be to protect supplies and aid personnel in a sizeable humanitarian effort. It was not intended that there should be any air support or that it would be needed, Mr Annan said.

A UN technical team sent to Somalia to study the situation is due back in New York to report to the secretary-general next week.

Separatist bomb in Thailand

A bomb, allegedly planted by Moslem separatists, exploded at Hat Yai railway station, not far from the Malaysian border, in southern Thailand yesterday, killing three and injuring more than 70, Peter Ungphakorn writes from Bangkok.

Police said they found at the site a letter identified as coming from the Pattani United Liberation Organisation (PULO), an outlawed group seeking independence for Thailand's four southern-most provinces.

Moslems are a minority in largely Buddhist Thailand, living mainly in southern and central provinces. Most are fairly well assimilated but resentment against the majority is felt particularly strongly in the deep south, where Malay nationalists and Islamic fundamentalists have been agitating for years for independence.

Australian GDP up by 0.6%

Australia's gross domestic product grew by a modest 0.6 per cent in the three months ending June, confirming that the country's recovery from recession would be a long slow haul, writes Emilia Tagaza from Canberra.

The rise was the largest since the recovery began a year ago and brought the 1990-91 annual growth rate to 1.6 per cent.

Following the release of the national account figures yesterday, the currency regained some of its lost ground. But analysts said the markets would remain edgy until the exact size of the projected budget deficit is known next week. It is expected to be around A$14bn (£5.4bn).

The June quarter growth was driven by consumer spending, which rose by 0.9 per cent, and exports which rose by 6.9 per cent. The most encouraging result was a 3.7 per cent increase in business investment, which was the first rise in over a year and could indicate that private business is finally regaining confidence in the country's future.

Spenders fail to lift Japan's economy

Steven Butler reports that consumers are becoming more choosy as incomes stagnate

THE Japanese consumer's love affair with fast cars, designer suits, and big-screen televisions was supposed to save the Japanese economy from recession. That at least is what government officials were confidently predicting just a few months ago.

Like so many other theories about the Japanese economy, however, this one has gently cracked open in recent months under a wealth of accumulating evidence that the Japanese are becoming more and more choosy about when and where they open their wallets.

Department store sales are terrible – off 3.7 per cent year-on-year in June – while car sales fell by 6.2 per cent in the first seven months of the year.

The theory that Japanese consumers would keep spending money, in spite of a plunge in stock market prices and land values and a steep drop in corporate profits, seemed to have a sound basis. A structural shortage of labour caused by Japan's low birth rate, it was argued, would keep employment at high levels. With employment and income secure, and debt levels modest, consumers would see little need to trim extravagant spending habits formed during the era of easy money of the 1980s. Strong consumer spending would therefore provide a firm bottom for the economy.

In the event, however, Japanese consumers have been cautious with their money because companies are finding ways to limit how much they pay employees, and because jobs, it turns out, may not be so secure after all.

According to the Labour Ministry, real wages in the manufacturing sector have declined for much of this year, with May registering a year-on-year decline of 1.1 per cent. Overtime hours were off by 22.8 per cent in May as companies reined back production to clear excess inventories while saving on wage costs.

Unemployment has stayed at apparently low levels of just 2.1 per cent. But the unemployment figures do not register the thousands of women who work part time, have been laid off and simply returned to the home.

While the statistics show that net jobs continue to be created in the economy, there were 10,000 fewer manufacturing jobs in the second quarter than a year earlier.

The pressure so far has been mainly on small companies. The Teikoku Data Bank, a private research company, yesterday said that bankruptcies in July had hit the highest level in five and a half years, with 1,213 companies unable to pay their debts. The level of debts, at Y784bn (£3.2bn) was also the highest for the year. Teikoku said more than half of the bankruptcies were caused by slow sales. The demise of so many companies, many of which are in mainstream manufacturing industries, inevitably affects consumer spending.

A number of large companies, such as Sanyo Electric and Nomura Securities, have announced programmes for gradual reduction in staff and there is mounting anecdotal evidence of early retirement programmes. So far, however, big companies have managed to avoid the layoffs that five years ago drove the unemployment rate up to 3 per cent.

Mr Geoffrey Barker, economist at Baring Securities, argues it is only a question of time before salaried employees are affected. Amid fears of an impending labour shortage, companies hired more salaried staff in 1991 than at any time in the last 20 years, boosting full-time employment by 3.1 per cent. With demand sluggish, he argues: "There is no way companies are going to be able to carry this level of employment."

The element of uncertainty is making consumers cautious. Mr Barker estimates real consumption will grow by 2 per cent, or possibly as little as 1 per cent this year, compared with 2.8 per cent last year and 4.1 per cent in 1990.

Salomon Brothers takes a more optimistic view that real consumption is likely to grow by 2.7 per cent this fiscal year.

Consumer spending accounts for 57 per cent of national income and private capital investment for 19 per cent. With spending sluggish and investment stagnant, it is plain that only a big boost in government spending can get the economy going again.

TRADE SURPLUS AT JULY RECORD

JAPAN posted another huge increase in its trade surplus in July, which reached $9.24bn (£4.9bn) on a customs cleared basis, 40 per cent higher than a year ago, the Finance Ministry said yesterday, Steven Butler reports from Tokyo.

The figure is the highest ever recorded in July and puts Japan on course to achieve the record trade surplus this year that many economists have predicted.

The trade surplus has been rising as the weakness in the Japanese economy puts a damper on demand for imported goods, while Japanese companies seek to unload excess inventories on overseas markets. The higher value of the yen compared with last year has also added to the magnitude of the surplus.

The politically sensitive bilateral surplus with the US soared by 27.3 per cent in July to $3.83bn. Japan's surplus with the European Community rose by 35.3 per cent to $2.5bn.

Japan enjoyed brisk exports of office equipment, cars, semiconductors, electronic parts, and motors and engines.

Total exports grew by 10.6 per cent to $29.47bn, while imports increased by just 1.1 per cent to $20.23bn. The sluggish pace of imports came in spite of a 27 per cent rise in the value of crude oil imports.

Japanese officials have sought to explain the persistent rise in the trade surplus over the past year as a product of special factors such as the strength of the yen or the weakness of commodity prices.

It has become increasingly obvious, however, that Japan's efforts in the late 1980s to restructure the economy by relying more on domestic demand have simply failed. Frustration has grown among Japan's trade partners over the apparent inability of the government to take effective measures to stem the surplus.

A member of the Japanese Maritime Defence Force questions a United Nations peace-keeping soldier from Chile about the depth of water at Phnom Penh's port yesterday. A 20-member Japanese survey mission is in the Cambodian capital to prepare for the despatch of a 600-strong corps, as part of the UN Transitional Authority in Cambodia. This will be the first service abroad by Japanese troops since the second world war.

Opposition calls Lebanon strike

LEBANON'S Christian opposition called yesterday for a three-day strike next week to protest against the Syrian military presence during the first general elections in 20 years, Reuter reports from Beirut.

The opposition, which has called for an election boycott, urged Lebanese to observe the strike as of August 21. Voting in north and east Lebanon is set for August 23. The opposition said its strike call was "a first step on the way to opposing the imposition of the parliamentary elections."

The Syrian-backed government of President Elias Hrawi wants to hold the polls before Syrian troops withdraw from Beirut and surrounding areas.

Hardline Islamic leader offers one-day ceasefire

Foreigners get chance to quit Kabul

By Farhan Bokhari in Islamabad

MR Gulbuddin Hekmatyar, the hardline Afghan leader, yesterday offered a one-day conditional ceasefire to allow foreigners to leave Kabul, as his fighters pounded the Afghan capital with rockets for the fourth consecutive day.

Mujahideen sources in Pakistan said at least 150 people had been killed in yesterday's fighting, including 75 in a single cluster bomb attack near the city's central post office.

Hospitals were short-staffed and without medicines, the sources said, adding that thousands were trying to leave the city.

Mr Hekmatyar yesterday announced that he was willing to agree to a ceasefire on four conditions, the Afghan news agency, ANA, controlled by Mr Hekmatyar's Hezb-e-Islami, reported. His terms were that all Hezb-e-Islami prisoners held in Kabul should be released; that foreigners should only be evacuated by road and not by air; that an armed force should oversee the ceasefire; and that the Afghan government and militia forces should accept the ceasefire terms.

The UN on Wednesday urged all sides to hold their fire to allow the evacuation of foreigners after two Russian embassy staff were killed by rockets and a third injured.

The latest round of fighting is widely seen as the worst setback to returning peace to Afghanistan since President Najibullah's downfall in April. While some Afghan government sources have claimed that Mr Hekmatyar's men have been driven out of Kabul, western diplomats say its not yet clear how the balance of power in Afghanistan has changed.

According to one mujahideen source, severe food shortages in Kabul are escalating pressure on the government, which could explain Mr Hekmatyar's condition that foreigners should not be allowed to use the airport.

Mr Hekmatyar has demanded the withdrawal of General Rashid Dostum's Uzbek militiamen, calling them remnants of the former communist-backed regime of President Najibullah. Gen Dostum who served under the former regime is now one of the closest allies of President Burhanuddin Rabbani's government in Kabul.

Fears for missing Sudanese children

By Julian Ozanne in Nairobi

UP TO 1,000 unaccompanied children and adolescents, who have fled civil war and famine in southern Sudan, have "disappeared" under the supervision and protection of the United Nations High Commission for Refugees in north-western Kenya.

Senior aid workers said they were concerned that the children might have been pressured to cross back into southern Sudan and press-ganged by Sudanese rebels into joining the battle for the besieged government-held garrison town of Juba.

Earlier this week, Oxfam, the British charity, said that 300,000 people trapped in the town had "run out of food and face imminent starvation" after a food airlift to Juba was suspended last month.

"This is a very, very worrying development," a senior aid official said of the children. "There has been repeated international concern expressed that these children have been exploited by the SPLA [Sudan Peoples Liberation Army] and now they suddenly disappear back into the war-ravaged area under the noses of the UNHCR protectors.

"The UNHCR has not fulfilled its mandate and verified the voluntary nature of their movement and the concern is that they have been forced to become child-soldiers on the Juba front."

Mr Carrol Faubert, the UNHCR representative in Nairobi, confirmed that some refugees from Lokichokio had left the camps and been seen in Narus, in southern Sudan.

He said up to 3,000 people in all could have "gone missing" from Lokichokio but that an accurate figure would not be established until the UNHCR completed transferring the refugees to a new camp at Kakuma, much further away from the Sudanese border.

India ready to defend reform plan

By Alexander Nicoll in New Delhi

INDIA is prepared to take tough decisions in order to keep its economic reform programme on course, Mr Manmohan Singh, the finance minister, said yesterday.

In an interview with the Financial Times, Mr Singh said the government wanted to reduce inflation and the fiscal deficit further before agreeing with the International Monetary Fund on an Extended Fund Facility borrowing which would replace its current standby borrowing.

"I would like the quality of our adjustment to be improved, to be seen to be improving, so that whatever we promise, we can deliver," the minister said. To do this, the government has to take highly political decisions in the next few months, including a reduction of fertiliser and petroleum subsidies.

"Farmers are 70 per cent of the population and last year we raised prices of fertiliser by 30 per cent in one go," Mr Singh said. "These are difficult decisions but we have to grapple with them."

He rejected suggestions that the impetus for reform had been weakened by the Rs35bn (£636m) financial markets scandal and said that "the economy is at long last showing distinct signs of improvement".

Year-on-year inflation dipped below 10 per cent this week as the effects of the July 1991 devaluation of the rupee dropped out of the calculations, although economists remain to be convinced that the drop is durable. Exports recorded a 0.4 per cent year-on-year increase in dollar terms in the second quarter.

Industrial production is also showing faint signs of improvement. But there are fears that the slowdown in the banking system resulting from the financial scandal – with banks embroiled in a series of investigations of their books – is limiting the flow of finance to industry.

The scandal, in which several foreign banks are heavily involved, would not deter India from allowing in foreign banks, provided that they acted within the law, Mr Singh said.

Separately, a senior finance ministry official said India expects to unveil rules for direct foreign institutional investment in the stock market within two or three weeks.

Scandal that threatens to shackle reform, Page 11

Ghana's tough economic reforms face the ballot box test

A half-completed programme yet to deliver higher incomes is in danger of falling to populist appeal, writes Julian Ozanne

AS GHANA prepares to make the transition from military rule to democracy for the third time in its turbulent post-colonial history, it faces one of Africa's most critical questions: will democracy be compatible with continuing an austere economic reform programme?

Almost nine years of radical and often unpopular economic reforms by the military government led by Flight-Lt Jerry Rawlings have given Ghana positive growth and laid stable foundations for sustained development.

However, as with so many African countries that which have pursued reform, the long-term benefits, in terms of a leap in incomes, are yet to come. In Ghana as elsewhere, adjustment is too easily seen as "pain without gain".

Now, as the half completed programme is being presented to the Ghanaian electorate, there are concerns that politicians, for short-term political gain, will pander to populism and exploit the hardships of adjustment.

There has already been a re-emergence of old political parties and leaders who appear wed[illegible] to the discredited, but popular, economic theories of the past.

In a recent interview Dr Hilla Limann, Ghana's last elected civilian president and a presidential aspirant this year, attacked the economic reform programme and devaluation as a "terrible disaster" imposed on Ghana by the "dictatorship" of the International Monetary Fund who want to "stuff their own pockets".

Many Ghanaian businessmen believe that if the next civilian regime, which will be inaugurated next January, fails to deliver political stability and attempts to delay or turn back the economic recovery programme, western donors and foreign and Ghanaian investors are likely to turn away.

"The analysis of the old politicians against economic adjustment is really horrifying," says Mr Ishmael Yamson, chairman of the United Africa Company, a Unilever subsidiary. "Many of them seem unable to see the enormous changes which have taken place in the world. If they get it wrong again there will be no more chances for Ghana."

Ghana's civilian and military governments imploded throughout the 1960s and 1970s as a result of corruption, economic mismanagement and political instability. By 1981 Ghana was on its knees with runaway inflation, collapsing production, an overvalued cedi and a debt burden the country could no longer service.

Despite his early socialist rhetoric, President Rawlings, who seized power for a second time in 1981, has pursued an austere adjustment programme which has given Ghana an average real growth rate of 5 per cent a year, restored confidence and stimulated investment. But many Ghanaians, especially urban workers, have suffered and much more, such as privatisation and creating a better private sector environment, has to be done to achieve what is seen as necessary growth rates of 8-10 per cent.

Most politicians, looking for an easy vote-catching economic critique of the government, have so far opted to exploit the constituency of discontented people hurt during the past nine years by devaluation and cuts in the public service. It is not yet clear how the electorate will respond to a populist appeal by old-guard leaders.

In an interview President Rawlings said: "I think Ghanaians are much more critical of political leaders today than before and they may be much more politically conscious than people in western Europe." But he conceded that his attempt to instill a participatory political culture into the country could only be tested at the ballot box.

Mr Joseph Abbey, Ghana's ambassador to the US, said: "We are hoping that Ghanaians will have the political maturity to judge the programme not on their direct material benefits but on the solid foundations we have laid down for future economic take-off."

So far the signs are not encouraging. At least seven political groupings have already been formed and the difference between them is largely personal and generational. Earlier this week they threatened to boycott the elections unless President Rawlings accepted demands for an interim government, international supervision of the polls and the release of all political detainees.

The key political question is whether President Rawlings is going to run. For the moment he appears determined to delay any announcement to the last minute to keep the opposition in disarray. Most political observers, however, believe he will run.

Mass rural electrification, road building and eight years of economic growth and stability have won him much support, in particular in the rural areas where reforms have had their strongest impact on higher incomes. However many Ghanaians are critical of the regime's poor human rights record which includes executions, kidnappings, arbitrary detention without trial and confiscation of property.

The strongest challenge to President Rawlings, widely considered the most dynamic political force in Ghana, could come from the People's Heritage Party (PHP) which has developed a strong organisation on the ground and attracted a younger generation of new politicians. Its two presidential hopefuls are General Emmanuel Erskine, who led United Nations peacekeeping efforts in Beirut, and Mr Jonathan Frimpong-Ansah, a former central bank governor.

Despite the attempt of old-guard politicians such as Dr Limann to exploit and whip up the anti-adjustment constituency, optimistic businessmen are hoping that whomever is elected president in November will quickly realise that there is a logical inevitability about continuing and deepening the reforms.

NEWS: WORLD TRADE

Stiffer local content requirements may put a brake on expansion in Canada

Japanese carmakers fearful over Nafta

By Gordon Cramb in Tokyo

HONDA has already had difficulties this year in persuading US customs officials that its Canadian-assembled Civics meet the existing 50 per cent local-content requirement enshrined in the 1989 bilateral free trade pact between Washington and Ottawa.

Now the Japanese vehicle industry is fearful that more stringent rules of origin under the Nafta accord will create bigger obstacles to expanding local production in North America.

Honda's problem centres on the varying interpretations of content measuring rules, and one of the few aspects of Nafta being welcomed in Tokyo was a tighter definition of how content is measured in goods eligible for preferential tariff treatment.

Attention focused on an unwelcome increase to 62.5 per cent in the minimum local content of vehicles produced in one Nafta member country but sold in another, if their manufacturer wishes to avoid punitive tariffs.

Japanese vehicle groups produced more than 250,000 cars in Canada last year, of which more than 80 per cent were for sale in the US. Local content levels at best are not much above the present minimum - the proportion for a Canadian-made Toyota Corolla was put yesterday at 53 per cent.

Honda and Toyota together account for two-thirds of Canada's output of Japanese cars. The rest comes from a Suzuki joint venture with GM which is expected to be exempted from the stipulation; its output would be used only in calculating GM's overall North American content ratio.

Although the Nafta ratio would not rise until halfway through an eight-year period of phasing in the requirement, some industry operators complained that North American component suppliers could not always compete either on grounds of price or quality. Such comments may in part have been addressed to component makers in Japan, many of which are closely affiliated to car producers, and which have been suffering from a fall-off in demand in recent months as the country's economic slowdown has eroded vehicle demand. The industry is also upset that past efforts to increase local sourcing in the US have gone unrecognised.

Japan's trade surplus with the US would continue to grow if incentives to producers to substitute local production for exports were diminished. Future expansion of capacity in Mexico as well as Canada would be called into question, it was suggested.

Mexico, where Nissan produces cars and trucks (also aimed largely at the US market), has in the past not laid heavy stress on local content. But, as for other industries, it imposes relatively high duties on imported components.

US import duties on finished products from Mexico which met the content ratios would be lifted under the plan, but trade officials argued that the new requirements should prompt Mexico to reconsider its own tariff structure for parts arriving from Japan.

Mexicans fear pact depends on Bush's fortunes

By Damian Fraser in Mexico City

THE Mexican government, business and financial sectors reacted with relief that the free trade pact talks were over, but are evidently concerned the treaty is a hostage to President Bush's political fortunes.

The Mexican stock market hardly moved on Wednesday, as investors spoke of the many obstacles before a treaty becomes law. Mr Manuel Robleda, Mexican stock exchange president, told the EL Economista newspaper: "Now comes the most difficult step of realisation of the agreement. This will be reflected in the equity market and economy, mainly because statements in favour and against will provoke ups and downs and confusion amongst investors."

The Mexican government is ready to start lobbying hard in the US, but will be wary of becoming too involved in the its electoral process. It is likely to follow the same strategy as last year, when it successfully persuaded Hispanic groups, business leaders, and local newspapers to support renewal of "fast-track" trade legislation, on which passage of Nafta then depended.

At home, the Mexican government is on surer ground, with the private and official labour sector firmly backing the treaty. Mr Fidel Velazquez, the nonagenarian labour chief told El Economista: "The free trade pact will not resolve all problems of the workers, but constitutes a strategy to improve living standards because undoubtedly, new businesses will be established."

Practically the only opposition comes from the leftist Party of Democratic Revolution (PRD), dissident unions and various ecologists and academics. Mr Porfirio Munoz Ledo, former president of the ruling party and now a PRD leader, said: "If we liken it to a Shakespearian tragedy, it is an agreement between three dying kings. In the Mexican case, the government is trying to project a positive image, offering the expectation of economic medals just as illusory as Olympic medals".

The support owes much to government control of much of Mexico's media, but could backfire if the treaty were rejected by the US Congress. Any ruling party candidate for the 1994 elections would have a tough job explaining why the government put Mexico through negotiating the treaty with nothing to show for it. Mr Jaime Serra Puche, Mexico's trade minister, said Mexico would not re-negotiate the treaty to suit another presidential candidate. While this may be bluff, Mexicans are unlikely to accept any substantial revisions to the treaty.

Guarded welcome by Brussels

By Andrew Hill in Brussels

THE European Commission yesterday gave a guarded welcome to Nafta, but urged the US, Mexico and Canada to respect world trade rules in setting up the free trade area.

An official said Brussels would not pass detailed comment on the deal until the Commission had been officially notified of the contents of the agreement: "The Commission always welcomes free trade areas, on condition they respect Gatt rules".

The EC states have agreed to form an ambitious European free trade zone (European Economic Area) with the European Free Trade Agreement (Efta). An EC official said Nafta would offer attractions to outside investors: "We can't do anything about that. That's what markets are about".

The EC is likely to study Nafta's car, textile and financial services clauses. Some Brussels trade officials believe amendment to existing rules on the local content of cars could increase US manufacturers' protection from non-Nafta competition.

The EEA should be larger than the Nafta area, in terms of population and gross domestic product, and will come into force from January 1 next year.

Praise and doubts over Nafta voiced by groups in US

By Nancy Dunne in Washington

WITHIN hours of the White House having announced agreement on Nafta, fax machines across the US began to pour out the praise and doubts of business, labour, farm groups and think-tanks.

Mr Enrique Iglesias, president of the Inter-American Development Bank, called the agreement "a demonstration of Latin America's maturity" as it prepared to meet the challenge of free trade. Mr Jack Valenti, Motion Picture Association president, said he continued to have "deep concerns about Canada retaining its 'cultural exemption'".

Business was generally swept away by a vision of three thriving North American economies. The US National Foreign Trade Council said "the job loss issue was an obvious concern", but growth of US exports to Mexico in the past five years had already created 650,000 new jobs.

Mr Kay Whitmore, Eastman Kodak Company chairman, said the pact was "potentially win, win, win". The liberal Council on Hemispheric Affairs said indeed it was "win, win" for the US, Canadian and Mexican multinationals and financial institutions.

But, the council said, the basic question remained: "Can an essentially unfree society like Mexico – with a government-dominated union movement, endemic corruption, constitutional regulations totally ignored, fixed elections, and repeated instances of government-sanctioned violence – be qualified to enter a fundamental and transformative relationship with free societies?"

The US Farm Bureau praised the pact; the National Association of Wheat Growers saw it as "lopsided", with the US unable to "force price transparency" on the Canadian Wheat Board. Textile makers were pleased, but the US Association of Importers of Textiles and Apparel said Nafta showed the difficulty "for governments to overcome vested special interests in trade negotiation".

It criticised Nafta's rules of origin for apparel requiring clothing to be made exclusively of North American materials from the yarn forward. These would provide an incentive for US apparel makers to transfer output to Mexico, but provide none for importers to transfer production from Far Eastern suppliers to Mexico.

Canada 'committed' to deal

By Bernard Simon in Toronto

Wilson: Other entrants must accept the disciplines

MR Michael Wilson, Canada's trade minister, said yesterday that his government was "absolutely committed" to securing parliamentary approval for the North American free trade agreement, despite public scepticism about the benefits of liberalised trade with the US and Mexico.

He also said in an interview that any other country wishing to accede to Nafta would have to accept the basic framework of the trilateral deal, which was unveiled this week.

Chile has already expressed an interest in joining Nafta, and Mr Wilson predicted that other countries were unlikely to need much persuading to follow suit.

But he said they "will have to accept the disciplines and have in place a trade policy regime consistent with the agreement".

The US, Canadian and Mexican governments are likely to submit the Nafta agreement simultaneously to their respective legislatures either in December or early next year.

The US-Canada free trade agreement (FTA), which came into force in January 1989, was the most divisive issue in Canada's 1988 general election campaign. Recent opinion polls show that most Canadians are still opposed both to the FTA and Nafta.

The FTA is widely blamed for having worsened the recession by encouraging manufacturers to centralise their operations in the US, at the expense of Canadian jobs.

Mr Brian Mulroney, the Canadian prime minister, is expected to call the next election in either summer or autumn 1993, but Mr Wilson said he expected the free trade debate to be less heated than it was four years ago. "People have come to realise that liberalisation of trade is happening everywhere."

The Canadian government is likely to base its case on improvements in Nafta, compared to the bilateral free trade agreement, and on the general benefits to consumers of liberalised trade.

Among improvements cited by Mr Wilson are a two-year extension of the duty drawback for foreign motor manufacturers in Canada, and the retroactive resolution of a highly-charged dispute with the US over the local content of Honda cars built in Ontario.

Iran to sue Siemens over power plant

IRAN said yesterday it was suing Germany's Siemens for failing to complete its Bushehr nuclear power plant, abandoned after the 1979 Islamic Revolution, Reuter reports from Nicosia.

"We have filed complaints against the contractor at international courts... they are duty bound to come and complete the project," Mr Mansour Haji-Azim, deputy director of Iran's Atomic Energy Organisation, told Tehran Radio.

Mr Haji-Azim said Tehran planned to build new power plants and was seeking foreign help in completing the mothballed Bushehr plant which was damaged during the 1980-88 Iran-Iraq war.

Siemens says it is impossible to complete the plant because Germany opposes shipment of vital parts to Iran including a centrifuge.

NEWS: AMERICA

Mexico fails to settle labour dispute at VW

By Damian Fraser in Mexico City

MEXICO'S labour ministry has failed to resolve a company lock-out of more than 14,000 Volkswagen employees and strikes by some 22,000 textile workers, prolonging the country's worst labour strife for more than a year.

The lock-out, which began on July 28, is costing VW the equivalent of some $5m a day. The company is seeking to cancel its collective contract with the union, after dissident workers went on strike. These appear to be backed by many, if not all, of the union members. They say they were not given details of a new labour contract, which introduces Japanese-style work groups and quality control to the plant.

VW's Mexican operation produced more than 200,000 cars last year, and is the leading seller in the Mexican market.

The company is is encouraging some German 40 parts and components suppliers to operate in Mexico, to help it meet new rules of origin required by the North American free trade agreement (Nafta).

The work groups are to let the company operate "just-in-time" inventory management with its new Mexico-based suppliers.

VW expects to face tougher competition in Mexico from US imports after Nafta is implemented, while it intends to expand exports to the US and Central and South America in the near future.

Cotton textile workers have been on strike since July 9, after employers declined to offer more than 10 per cent wage rises and tried to eliminate rigid work demarcations.

Career man taking care at State

By Jurek Martin, US Editor, in Washington

Eagleburger: Substantial successor to campaigner Baker

MR Lawrence Eagleburger, known to all as Larry, does not exactly fit the popular image of a US secretary of state, forever on shuttle diplomacy, smoothly speaking in subtle nuances, and frequently at war with thenational security adviser in the White House.

He is 61, overweight, a chainsmoker afflicted by circulatory and respiratory ailments, and walks with a cane. He is also blunt, funny and, above all, a professional diplomat. He is the first career foreign service officer to have become deputy secretary of state, albeit after having left to work for Henry Kissinger and Associates from 1984-89.

Mr Eagleburger has not been a member of the inner circle of advisers to President George Bush and Mr James Baker, who have formulated US foreign policy. His main role as deputy has been day-to-day departmental management, with a special focus on subjects in which Mr Baker was known to be less interested, such as Haiti and, as often as not in the last year, Yugoslavia.

He joined the foreign service in 1957 and became Dr Kissinger's right hand in the White House of President Richard Nixon's first term before rising to the ambassadorship to Yugoslavia in 1977-80.

The intertwined connections with Dr Kissinger and Yugoslavia are the most controversial aspects of Mr Eagleburger's career. His closeness to Marshal Tito and the Serbian political hierarchy is seen as one reason why the US was slow to wake up to the profound, now tragic, changes in what was Yugoslavia. He recently admitted that he misjudged the character of Mr Slobodan Milosevic, the Serbian strongman.

His appointment now as acting secretary, through Mr Baker's move to head the White House staff, means he will not be subject to Congressional confirmation. The Bush campaign had made no secret of its wish to avoid, before the US presidential election in November, hearings on what was Yugoslavia.

As caretaker, however, his chances of making an independent mark are limited, with Mr Baker still in effective control from his new perch.

Sluggish growth in US retailing

By Michael Prowse in Washington

REPORTS of weak growth of US retail sales and almost flat consumer prices yesterday provided further evidence of sluggish economic conditions.

In a separate report, the Congressional Budget Office said the economy had yet to enter a "self-sustaining recovery" but appeared to be on the verge of one. It forecast growth of 1.9 per cent this year, rising to 3.1 per cent next year.

Like most other forecasters, the CBO, an independent advisory body for Congress, has consistently over-estimated economic growth in the past couple of years.

The Commerce Department said retail sales rose 0.5 per cent in July, after seasonal adjustment, slightly more than expected in financial markets.

However, its estimate for June was revised sharply down to show a contraction of 0.3 per cent instead of a gain of 0.5 per cent.

Retail sales have made no significant headway since February.

The consumer price index rose 0.1 per cent last month and by 3.2 per cent in the year to July – a smaller increase than expected. The increases followed average gains in consumer prices of 0.2 per cent in the preceding three months.

Excluding food and energy, which tend to be volatile, consumer prices rose 0.2 per cent last month and by 3.7 per cent in the past year.

Many analysts expect the underlying rate of inflation to fall to 3 per cent or less in the coming year.

C J Lawrence, a New York broker, said the retail sales figures were consistent with economic growth of 1.5-2 per cent in the third quarter – a slight improvement on the second quarter but well short of the 3-4 per cent the Bush administration had hoped for earlier this year.

The CBO said the recovery was hobbled by high levels of household debt, a glut of office space and fiscal retrenchment by state and local governments.

Argentina denies debt cut in trouble

ARGENTINE government officials yesterday denied that the country's foreign debt reduction package was in danger. This follows an overwhelming preference by creditor banks for swapping $23bn worth of debt for par bonds, rather than accepting discount bonds that reduce debt principal by 35 per cent, reports John Barham in Buenos Aires.

About 80 per cent of banks have now applied for par bonds because these, as well as preserving the full value of the debt principal, also pay higher interest than discount bonds. In previous debt reduction schemes for other Latin American countries, par bonds offered lower, fixed interest rates while discount bonds yielded higher, floating interest rates.

Concern has been growing all week that a low degree of preference for discount bonds would threaten the reduction package. Argentina is now asking banks to take more discount bonds.

However, Mr Horacio Liendo, who negotiated the agreement for Argentina, said, yesterday: "In no way does this affect Argentina's Brady plan." Mr William Rhodes, Citicorp's veteran debt negotiator, said that he expected a signature ceremony to be held in Buenos Aires on September 9.

Mr Liendo said that unusually low international interest rates have cut the attraction of discount bonds to the point where, at current rates, Argentina would pay $920m in annual interest if all banks took par bonds and $720m a year if they only took discount bonds. Argentina is now paying $910m a year in interest.

The par bonds are also more costly for Argentina to back with collateral, in the form of US Treasury zero-coupon bonds. Discount bonds would require 35 per cent less collateral.

Officials reckon that the par bonds would cost Argentina $300m more to back with collateral.

Argentina has already won commitments from multilateral lending agencies for long-term loans totaling $2.4bn that would be used to buy collateral.

Bullishness in Buenos Aires

John Barham assesses new confidence in Argentine investment

MR Domingo Cavallo, Argentina's economy minister, confidently predicts that his country is on the verge of investment growth the like of which it has not seen since the eve of the third world debt crisis. He expects investments to double by the end of this year to 20 per cent of gross domestic product from 10 per cent last year.

If he is right, it would be as significant an achievement as the defeat of hyperinflation.

It would ensure a long life for his market-oriented reforms by generating the 6 per cent a year growth he has targetted and rekindling Argentina's hopes of joining the developed world.

Investment rates have fallen to sub-Sahara African levels since they peaked at 22.8 per cent of GDP in 1980 – a large part of which was hugely wasteful public sector capital spending financed by a rising foreign debt.

The result has been a visibly collapsing infrastructure, obsolete industry and worsening poverty. The economy is still the same size as in 1980, but the population has increased by 14 per cent since then.

Now it is all change. The atmosphere for investment has rarely been so good: inflation has fallen to 19 per cent a year, the economy has been thrown open to free competition and the government has scrapped laws that discriminated against foreign investment.

Not everybody shares Mr Cavallo's optimism but something is stirring in the rotten hulk of Argentina's economy.

Companies are retooling as they slowly regain confidence. New apartment blocks are sprouting all over Buenos Aires, a capital city that has seen hardly any new building for more than a decade. Business consultants and investment bankers are overwhelmed with work re-organising chaotic corporate structures and tangled finances.

Investment is being focused in three areas. First, in newly-privatised utilities, which are expected to invest the equivalent of $32.93bn in the next eight years, comparable with an average of 2.3 per cent of GDP a year. Fiel, an industry-funded thinktank, says infrastructure investments made by private companies should be far more productive than the corrupt state, which it reckons to have wasted $35bn-plus in 1970-1991.

Second, investment is being channelled into the services sector where profit margins are still attractive. Money is going into shopping centres, housing, tourism and entertainment – almost any sector shielded from the avalanche of imports that began pouring into Argentina 18 months ago.

Last comes industry. Although hard data do not exist, Mr Cavallo points to indicators, such as the 123 per cent increase in capital goods imports to $1.11bn in 1991. This confirms anecdotal evidence that cautious businessmen are retooling to increase productivity of existing plant before beginning any ambitious greenfield investments.

It is difficult to estimate what part of the hoped-for investment recovery might be from abroad. However, foreign direct investment, which peaked at $927m in 1981 before the debt crisis, is showing firm signs of recovery. Last year it was up to $455m, compared with $333m in 1990.

Despite these encouraging trends, there are a number of disturbing signs. To begin with, most independent economists disagree with Mr Cavallo's optimistic forecasts. They estimate investment at only 12-14 per cent of GDP, doubting whether it will reach 20 per cent of GDP this year, and expect growth of just 2-3 per cent a year.

Industrialists also complain that the government is not doing enough to encourage investment in export-oriented manufacturing. Most industrial investment is taking place in sectors that do not compete with imports or are aimed at meeting domestic demand.

They question Mr Cavallo's promises of improving the economy's overall efficiency. Argentina remains an inefficient, high-cost economy unable to compete internationally except in agricultural commodities. Wages are high and productivity low and the crumbling infrastructure is a serious drag on profitability. What is worrying, Argentina's experience so far with privatisation has resulted in inefficient and costly services rather than the reverse.

Mr José Luis Machinea, a respected opposition economist, adds that investment seems to be funded mainly from foreign sources and warns this could have an "enormous impact on the balance of payments in future years". He reckons Argentina needs to import at least $5bn in capital this year and $8bn-$9bn in 1993.

He warns that this may be unsustainable if investors lose confidence in Mr Cavallo's reforms. One source of concern is a deteriorating trade balance. Argentina ran a $302m trade deficit during the first quarter this year and could register its first annual deficit since 1981. If that does happen, confidence in government policy could be shaken.

Another concern is that businessmen may lack the skills to survive in a stable, open economy. Mr Eugenio Reynal, a director of Merchant Bankers Asociados, an investment bank, says: "Companies are realising they lack the management to deal with change. There really are very serious problems with management."

And Argentina has never created a stable business environment. Laws, rules, regulations – even ministers and entire policies – can shift with bewildering unpredictability.

Mr Miguel Angel Broda, a leading management consultant, says political concerns are rising, now that the government is under increasing pressure to dilute reform as incomes fall, demand weakens and businesses fail. He asks: "The question is, will [President Carlos] Menem stand firm? We are entering an 18 month period of risk. But I think his survival instinct will make him fight for stability."

City overseas earnings rise to £16.9bn

By David Dodwell, World Trade Editor

BRITAIN'S financial institutions boosted overseas earnings by 12.8 per cent to £16.9bn in 1991, underlining the importance to the economy of "invisibles", and of Britain's international role as a financial centre.

The improvement largely reflected increased investment income, which rose by almost 20 per cent to £10.5bn, according to a report from British Invisibles.

Even the insurance sector – dogged by underwriting losses at Lloyds of London – saw a 24 per cent jump in earnings to £3.3bn as insurance brokers raised income by 12 per cent to the record level of £919m.

The banking sector also made a schizophrenic showing, with a 7.9 per cent fall to £3.14bn in income from banking services outweighed by a 21 per cent jump to £4.6bn in investment income. It reported an overall 7.5 per cent improvement between 1990 and 1991.

"The mixed fortunes of the different financial sectors in selling services reflect the difficult trading conditions of last year," said Mrs Alison Wright of British Invisibles.

The UK is second only to the US as an exporter of invisibles – which encompass not just financial services, but tourism, information transfer and transport services, and remitted interest, profits and dividends. In 1991, these together earned £117bn – significantly more than visible exports of £104.8bn – with interest, profits and dividends accounting for £75bn of this. This accounted for about 16 per cent of the £750bn total world trade in invisibles.

The UK has a greater dependency on invisibles trade than any other industrial country, with tradeable services accounting for 20.5 per cent of gross national product in 1991. This compares with 4.8 per cent of GNP in the US, and 5.6 per cent in Japan.

According to Professor Richard Brealey at the London Business School, more than 800,000 people work in finance and business services in the City, about 100,000 more than in New York. London also has the greatest number of foreign banks of any financial centre.

UK wage inflation slows to 25-year low

WAGE inflation, as measured by the underlying increase in seasonally adjusted average weekly earnings, decelerated to 6 per cent in the year to June, the lowest such rate for 25 years, writes Peter Norman.

Because manufacturing productivity advanced strongly in the three months to June, the growth of wages per unit of output declined, bringing the rate of increase in manufacturing unit wage costs to their lowest level since October 1987.

Figures released by the Department of Employment showed the underlying annual increase in UK average earnings has fallen by 1.5 percentage points from 7.5 per cent in March.

Government officials said they expect the rate of wage inflation will continue to fall. The June average earnings increase was lower than most forecasts and accompanied a downwards revision in the rate of increase in May to 6.25 per cent from 6.5 per cent announced last month.

Heseltine polishes off merger plan

By Maggie Urry

MR MICHAEL Heseltine, who acquired the "spit and polish" ethic if not the short-hair habit in his military days, has blocked the merger of Kiwi and Cherry Blossom, Britain's two largest brands of shoe polish.

Following the advice of the Monopolies and Mergers Commission, the trade and industry secretary yesterday ordered Sara Lee, the international consumer products group which owns Kiwi, to sell Cherry Blossom. The US company had bought Cherry Blossom and other brands from Reckitt & Colman last October.

The MMC – in a report full of implicit condemnation of the slovenliness of dirty shoes – discovered that the end of compulsory military service more than 30 years ago had contributed to a long-term decline in the shoe polishing habit.

Even so, the Navy, Army and Air Force Institutes – the so-called Naafi – buys more than £230,000 of shoe polish each year, mainly Kiwi. That makes it one of the largest customers in a market worth £13.5m at manufacturers' prices.

Outside the military, the MMC report notes, "less importance is attached to having well-polished shoes" these days. The greater use of cars – another modern-day idleness – also meant shoes were less exposed to dirt. Even worse, the traditional leather shoe was being replaced by "trainers" and "sneakers" which might not be cleaned at all.

In this shrinking market, the combined company accounts for 74 per cent of sales outside the shoe trade. Fearing a sharp rise in prices, which could take even more of the gloss off Britain's footwear, the MMC recommended divestment.

Professor Patrick Minford, the maverick, free market Liverpool University economist, dissented from his colleagues on the MMC panel.

At 49, just too young to have experienced compulsory military service, he gave priority to the interests of 90 workers in Honley, West Yorkshire, who put the paste in tins. The factory, which makes both brands, might close if it loses the Cherry Blossom business.

Joint author of *Unemployment – Cause and Cure*, and with well known views on exchange rate effects, he argued that the possible loss of jobs would be a "serious damage to the public interest".

As for the competition concern, imports of shoe polish could provide alternative supplies, and the price of shoe polish would be set by the going international rate, he said.

Mr Euan Venters, Sara Lee's marketing director in the UK, said the company was "surprised and disappointed" but remained committed to the shoe care sector.

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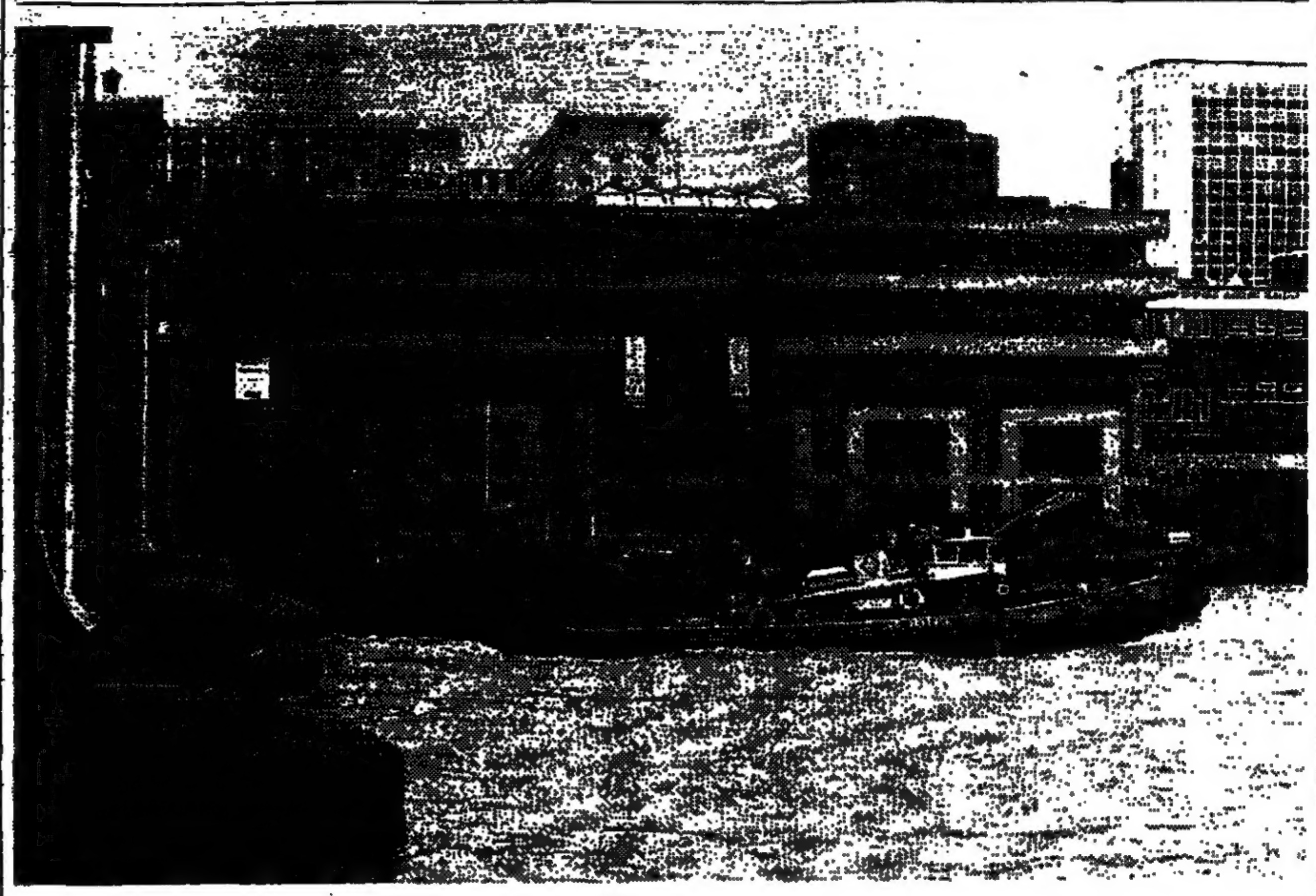

MIDLAND BANK, which was taken over by Hongkong Bank in June, has agreed to lease Thames Exchange, one of the largest buildings in the City of London, for the combined group's treasury operations, writes Vanessa Houlder.

James Capel, the stockbroker that is owned by Hongkong Bank, will also move into the 190,000 sq ft building adjacent to Southwark Bridge on the north bank of the Thames. Its decision to move follows damage to its existing building caused by an IRA bomb in April.

Thames Exchange, which was built by Kumagai Gumi, the Japanese civil engineering contractor, was completed a year ago. The building, which has 50,000 sq ft floors, was chosen because it can accommodate up to 800 dealing positions on its trading floor which could become the largest in Europe.

MOBILE PHONE MARKET

Vodafone follows Cellnet price cuts

By Michiyo Nakamoto

VODAFONE, the cellular phone network operator, yesterday announced new prices in an effort to bring mobile telephones to the masses.

The move followed a similar initiative by Cellnet, its arch rival, to open up a new market of non-business users.

The two groups, which dominate the UK market, are hoping to transform the the cellular phone from an expensive businessman's gadget to a more everyday consumer item.

The new prices are designed to attract customers who would like to own a mobile phone for occasional use, but have found find the connection and line rental charges too high.

Vodafone expects the market for mobile phones to grow from the current 1.3m users to 7m – half of them non-business users – by the turn of the century.

Starting in October, Vodafone will offer a "low cost" service with a reduced connection charge of £30, compared with the current £50, and a monthly line rental charge of £15, down from £25. Cellnet is introducing a similar option from November.

Vodafone's call charges under this service, however, will be higher than under its present tariff. The peak rate will be 54p per minute within the M25 London orbital motorway and 48p per minute elsewhere. The cheaper off-peak rate is 15p per minute in all areas.

These rates compare with Vodafone's current rates of 33p per minute within the M25 at any time and 25p elsewhere.

Cellnet's national peak rate charge under its new offer will be 50p per minute and 20p off peak.

Under its existing tariff, peak calls cost 33p per minute within the M25 area and 25p per minute elsewhere. Off-peak calls are 10p per minute.

Vodafone is pricing handsets at £249 compared with current retail prices of anywhere from £800 to as little as £200.

The new pricing scheme intended to attract people who do not plan to make frequent calls on their mobile phone.

The high call charges mean that anyone making at least one call a day during peak hours is better off staying with the current scheme, according to Vodafone.

Both companies expect the new prices to attract a large number of new customers. Cellnet estimates it will have 200,000 new customers in the first year.

The mobile phone market has been hit by recession and competition is expected to increase with the launch next year of radio-based personal communications networks and the progressive introduction of telephones using GSM, a digital standard agreed by 17 European countries.

"The usage of mobile phones is set to change dramatically," said a Cellnet representative. With just a 2 per cent population penetration in the UK "it is hardly a business that impacts on many people. That is what we're set to change."

EC directive likely to raise water costs

By Bronwen Maddox, Environment Correspondent

WATER bills could double by 2005 because of the cost of meeting new EC regulations on the environment, Ofwat, the industry watchdog warned yesterday.

Mr Ian Byatt, Ofwat's director general, said "Improvements in the quality of water are beneficial but they cost money – which some customers can ill afford".

He drew a sharp response from water companies by pointing out that customers would be shielded from some of the costs if the companies and their shareholders took part of the burden.

In a strategic assessment of the industry entitled *The Cost of Quality*, Ofwat estimates water companies will have to spend between £28bn and £43bn between 1995 and 2005 to clean up drinking water, beaches and sewage discharges.

Mr Byatt said that if the companies became more efficient and accepted a lower return on capital, that could cut £20-30 a year off bills.

Ofwat's spending estimates are much higher than those made three years ago when the 10 large water companies were privatised because of new EC environmental rules passed since then. The main leap comes from the EC's Urban Waste Water Treatment directive, where estimated costs have risen to around £10bn.

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Britain in brief

Halifax cuts interest rates for savers

The prospect of a rise in mortgage interest rates receded when Halifax Building Society, the largest UK mortgage lender, announced that it was cutting interest rates on its savings accounts by an average of 0.35 per cent.

The Halifax move follows similar savings rate cuts by three other of the top ten building societies in the past week and will affect about 14m savers.

Most of the remaining large building societies are now expected to follow Halifax by lowering their savings rates in the next few days. But Abbey National, the retail bank and second largest UK mortgage lender said that it would maintain its interest rates unchanged for the immediate future.

Action starts against banks

Legal proceedings have started against four UK banks and one building society for compensation and costs over alleged "phantom withdrawals" from automatic teller cash dispensing machines.

If it comes to court the case will be the first serious challenge to the claimed infallibility of the machines.

More than 200 customers, who say money has disappeared from their accounts via such machines, are involved in the multi-plaintiff, multi-defendant action.

The banks are Barclays, Lloyds, Midland, and the TSB, while the building society is Nationwide. All have denied phantom withdrawals are possible.

Challenge to Labour reform

The government is prepared to respond to the opposition Labour party's efforts to reform its links with the trades unions by reviving plans to tighten the law governing the unions' political funds.

Senior Conservatives are warning that a move by Mr John Smith to convert the unions' political levy payers into "associate" Labour party members would prompt legislation to make it easier for individuals to refuse such contributions.

The legislation would require unions to receive the written authority of each member before using any portion of their contributions for political purposes.

Power lobby files complaint

Electricity consumers could be paying £750m for unwanted new power stations, according to a new lobby group for cheaper electricity.

The group, known as Coffer or the Coalition for Fair Electricity Regulation, made the accusation in a letter to the electricity regulator, Professor Stephen Littlechild, whom it plans to take to court for failing to keep electricity prices down. Coffer's solicitors, Stephens Innocent, who wrote the letter, described Professor Littlechild as "a lapdog not a watchdog."

SNCF locos to run in UK

British Rail will have no freight locomotives capable of pulling trains through the Channel tunnel when it opens late next year.

Delivery of the 46 electric locomotives being built for Channel tunnel freight services has been held up because modifications in the design have become necessary.

As a stop-gap measure, French national railways (SNCF) has agreed to adapt a number of its electric locomotives so that they can pick up freight trains at Folkestone, near the British end of the tunnel, and pull them through.

Laker plans new take-off

Sir Freddie Laker, the pioneer of cut-price air travel in the 1970s, plans to return to the transatlantic airline business.

He intends to apply within three months for licences to fly between Europe and the Bahamas starting late next year, possibly with onward links to the US, Latin America and the rest of the Caribbean.

"I like the idea of making the Bahamas into an Atlantic hub," said Sir Freddie The plan is to start with charter flights and add scheduled routes later.

Monthly car output rises

July 1992 car production, at 120,740 models, was more than 18 per cent up on July 1991, the Society of Motor Manufacturers and Traders said yesterday. Total car production for the year so far was 807,487 – a rise of 1.39 per cent on January-July 1991.

Car production for export in July 1992 was 40,967 – up 6.18 per cent on July 1991.

US forces mothball base

US forces are to mothball High Wycombe Air Station, Bucks, From September 1993 the US will withdraw part of its staff at Welford, Berks. It will also withdraw from US Navy bases at St Mawgan, Cornwall, and Glen Douglas and Machrihanish, Scotland.

Bullion jury still out

An Old Bailey jury trying four men and a woman accused of laundering £14m from the Brink's-Mat gold bullion robbery spent a fourth night at a secret hotel after failing to reach any verdicts.

THE PROPERTY MARKET

Partnership in the cities

Vanessa Houlder explains how the developers' role is being reassessed

During the 1980s, much of the responsibility for regeneration of the inner cities was placed on the shoulders of the property developers. Today, dissatisfaction with the results of this arrangement, together with the downturn in the UK economy, have prompted a reassessment of the developers' role.

There is a move towards greater co-operation between property developers, central government and local authorities, while a new quango, the Urban Regeneration Agency, is designed to overcome the shortcomings of both local government and the private sector.

With the onset of the recession in the past couple of years, which has claimed a large number of casualties in the property sector, the developers have largely lost their enthusiasm for inner-city projects. Their central role in urban regeneration has also come increasingly under fire.

Critics say that billions of pounds have been poured into flagship property schemes, while public transport and social housing have been neglected. Even where developments have transformed the appearance and vitality of inner cities, they have rarely provided substantial numbers of jobs for the local people.

Nevertheless, private sector-led growth is still widely considered to be the main long-term answer to urban deprivation. But the framework in which the private sector operates in inner cities is changing, partly as a result new government initiatives.

Two announcements made by the Department of Environment over the last month – its proposals for the Urban Regeneration Agency and the second round of the City Challenge scheme – are directly concerned with regeneration.

The Urban Regeneration Agency is designed to bring derelict and under-used land back into productive use. Its advocates say it will overcome the local authorities' lack of property expertise and the private sector's aversion to risk, by researching schemes, reclaiming sites, installing infrastructure and selling off land in plots.

The URA, which will manage city grants and derelict land grants and encompass English Estates, the government's property development arm, is intended to bring greater cohesion to the country's urban programmes, which were described as "*a patchwork quilt of complexity and idiosyncrasy*" by the Audit Commission in 1989. Even so, it leaves out the Urban Development Corporations, City Challenge, the Urban Programme, Task Forces and City Action teams. Some critics argue that, rather than replacing existing agencies, it merely adds another bureaucratic layer.

Another widespread criticism is that it is underfunded. Its proposed budget of £250m – only one and a half times the budget of the Welsh Development Agency – is small beer, considering the 150,000 acres of vacant land in towns and cities.

Critics also attack the URA's lack of an inward investment arm. "It is no use producing sites if no one wants them – we must create demand from end-users," says Mr Nigel Smith, a partner of Drivers Jonas, the chartered surveyor.

Yet another reservation is voiced by Mr Christopher Jonas, president of the Royal Institution of Chartered Surveyors, who believes the URA's remit is too narrow, as it ignores social infrastructure like housing, schools, shops and hospitals: "*Promotion of housing should be a priority in inner cities.*"

But the narrow definition of the URA is defended by Mr Smith of Drivers Jonas. "I see little point in the URA burdening itself with a vast bureaucracy handing out grants for crèches, youth clubs, youth groups, day centres and the like," he says. The URA's consultation paper states that it should work alongside other programmes "to ensure that communities gained the maximum benefit from the development it brought about".

The onus on a government agency to work in partnership with other participants in urban development is, in some respects, a break with the past. In the 1970s, the local authorities shouldered the burden of urban regeneration, to the exclusion of the private sector. For most of the 1980s, the local authorities were excluded as the private sector took the initiative.

But, increasingly, they are beginning to work together. Evidence of their ability to do so is provided by City Challenge, a scheme in which local authorities compete for extra government cash. Despite many criticisms, City Challenge's emphasis on a partnership between central government, local government, the private sector and voluntary groups is widely applauded. "The methodology is almost more important than the money on offer," says Mr Gerald Cary-Elwes, secretary-general of the British Urban Regeneration Association.

In general, however, the amount of public money on offer for urban regeneration is critical for maintaining its momentum at a time of recession. Mr David Taylor, managing director of AMEC Development, one of the few developers still active in inner cities, says the proportion of public money needed to make an inner-city scheme viable has increased from 20 per cent of the total to 30-50 per cent of a scheme's total cost.

In addition, prospective property developers could be discouraged by revised proposals for a Contaminated Land Register, which identifies polluted sites. The proposed changes have been fiercely criticised by those involved in inner cities, where contamination is common, because sites cannot be removed from the register, even when they have been treated.

Even when developers do invest in inner cities, they still have to overcome the lack of demand for their product, particularly in the office sector. However, the outlook is not bleak. This week, for instance, Cardiff Bay secured a 115,000 sq ft relocation of NCM Credit Insurance. And even where demand for offices cannot be resuscitated, land costs may be cheap enough to generate demand for other uses, such as housing and the expansion of universities.

But few inner cities expect to attract large-scale manufacturing jobs. There have been some successes: in Newcastle, for example, Twinings has built a tea factory opposite the Meadowell estate, one of the country's most turbulent housing estates. But it is generally recognised that the decline of manufacturing industry in inner cities, which provided most of its inhabitants' jobs, cannot be reversed.

This mismatch between the skills of those who live in inner cities and the type of jobs that have been created by urban regeneration policies is at the root of the inner cities' predicament. A report by the independent Policy Studies Institute last month suggested that the problem is getting worse, not better. Over the past 15 years, deprived inner-city areas have teacher-pupil ratios, and examination results, decline. And, with the exception of the north-west, it was found that fewer people from deprived areas than expected were on employment training schemes.

The report said it was too early to judge the success of schemes such as City Challenge or the Urban Regeneration Agency. However, it concluded that, "given the record so far, it is difficult to have much confidence in more of the same or to feel at all hopeful about the future prospects for deprived urban areas".

Inner-city developments have neglected social infrastructure

MR TONY PENDER, chief executive of English Estates, believes that the Urban Regeneration Agency will bring the government's development activities into "sharper focus immediately", writes Chris Tighe.

"We are putting into one agency a flexible set of tools, an agency which can intervene at all stages of the development cycle," he says. "The possible synergy is considerable. Derelict Land Grant and City Grant are demand-led grant structures. In a sense we [English Estates] are the opposite of that."

The new agency will permit greater targeting and, unlike English Estates, will have powers to make compulsory purchase orders, he says. He also sees the new agency as an effective part of City Challenge initiatives, many of which have a strong property element. "An agency like this could be extremely helpful in pushing things along. The timing is good."

Mr Pender disagrees with critics who say the URA should have had an all-embracing remit, to cut down the plethora of regeneration initiatives. "If you have too many functions, you end up with an enormous spread of work and a problem of co-ordination."

He does not expect the new agency to solve all the complex problems of declining urban areas. "I don't believe anybody believes that property of itself is the answer," says Mr Pender. "Urban renewal is a means to an end, not an end in itself."

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to June 92	−1.5	−12.9	−4.8	−6.6
Quarter to June 92	−0.5	−3.4	−2.2	−2.0
Month of June 92	−0.2	−1.3	−1.0	−0.8

Investment Property Databank

MANAGEMENT

Lucy Kellaway visits Eve Pollard's room by the Thames

A heavy scent of power and lilies

MY OFFICE

TO SIT outside the office of Eve Pollard, editor of the Sunday Express, is rather like waiting to see the headmistress. The bench outside her room is visible right across the busy newsroom, so that those waiting for an audience are in full view of the rabble of journalists and secretaries, who look on with undisguised curiosity.

And wait is precisely what one has to do. The first woman editor in Fleet Street is booked ahead for months – her next free lunch is on October 31 – and all dates are liable to be rescheduled at least once. On the Friday afternoon I visited Express Newspapers' glass and marble palace on Blackfriar's Bridge, Pollard was still having lunch.

Eventually she appears, sweeping across the newsroom waving her arms at the journalists who run after her. "Not now, not now," she says. Travelling at great speed, she reaches her office, full of welcoming smiles. She promptly disappears into the adjoining conference room clutching a large make-up bag, to smarten herself up for the photograph. She explains that the previous night she was out late celebrating the newspaper's transformation into a tabloid, and bemoans the necessity for make-up.

Pollard's style is not what one expects from a women who has made it in a man's world. Others may behave as token men, but she makes no apology for her sex: she is aggressively feminine. Her suit is tight and distractingly low-cut. On her desk is a vase of heavily scented white lilies, and behind her is a silver champagne bucket full of dried flowers. On the walls are pictures of her daughters, and trophies marking her considerable achievements as editor of a long line of magazines.

The television, which faces her desk, is tuned permanently to Sky News with the volume off. By the door is a safe, used for extra sensitive scoops, but apparently empty at the moment. In pride of place is an intimate photo of Pollard sitting with John Major on a chinzy suite during the last election. "That was rather hairy," she says, giggling, but declining to elaborate.

The breathtaking view of St Paul's Cathedral shouts power – but otherwise there is no sign that Pollard is trying to intimidate. The office itself is fairly small – her predecessor had a grander one, but she prefers it that way.

When receiving visitors she places herself behind her desk, in order to prevent men "spending all their time examining if your heels are scuffed". The remark is typical of her chummy, girly tone. "You know how awful men are," she says. Indeed she reckons that when dealing with them a quite different style is required. "I can't just talk like this. I have to assert myself, and say this amplified 17 times, or they don't listen."

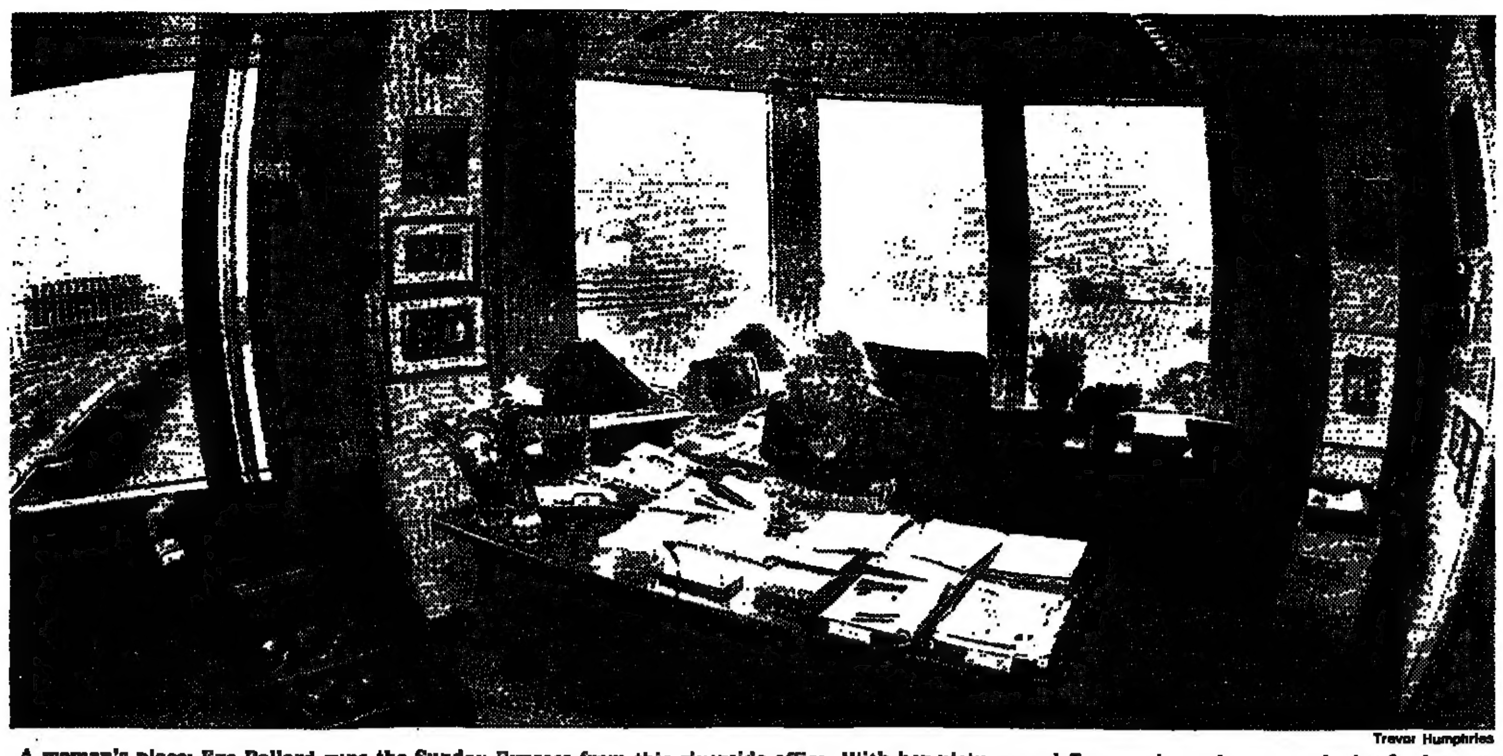
Apart from the need to speak up, what other managerial tricks has she learnt in her successful first year as editor? Pollard thinks, and decides that her primary job is not to manage. Instead she sees her role as "making the difference – thinking of the stories, of ideas – being innovating, challenging".

To help with those ideas, she has on her desk copies of the Wall Street Journal and Liberation, the left-of-centre French daily – surprising choices given that her paper favours such stories as "Diana beats her bulimia". Pollard admits to not fully understanding the French paper, although she says she likes the way it looks. She reads all the other newspapers before arriving at work in her chauffeur-driven jag soon after 10am. The car is "a luxury, a treat", and the journey itself gives her time to speak to at least three people on the mobile phone.

Once at work, the days take a predictable shape. "You have conferences, meetings, you think of ideas, and if you are lucky you don't have lunch." But Pollard, it seems, is always unlucky, constantly dining with "politicians, publishers, contacts, even sometimes with advertising people" – she rolls her eyes.

When in the office, she is at home to whoever should come and see her. "Most of the time the door is open, and people put their heads round." She likes to rely on old-fashioned means of communication – "the blower" is her favourite. She discourages people from sending memos, and dislikes computer messages. Instead she wanders around "visiting the art desk, looking at the dummies, and talking to people". As the day of publication draws closer, she becomes more involved, eventually moving out of her office altogether to sit on the desk with the other journalists.

On these days she does not go home until the night is well advanced – on others she is rarely out of the office before 9.30pm. It is a long week. What keeps her doing it? Her reply shares the qualities of tabloid newspapers: less than complete truth delivered with an appealing directness. "It's the money," she says.



Trevor Humphries

A woman's place: Eve Pollard runs the Sunday Express from this riverside office. With her pictures and flowers she makes no apologies for her sex

A daunting menu for managers

Companies are in danger if they ignore innovative ideas, writes Christopher Lorenz

GOOD management ideas have always taken a long time to trickle down from concept into common practice. At least 20 years has been the norm even within a single country, let alone between continents thousands of miles apart. Many Japanese companies were practising what is now called Total Quality Management by the early 1960s, but only in the last few years has it become common currency in the West.

Yet now, like everything else in business, the pace of managerial innovation is accelerating under the influence of global competition and communications, and all the other factors that make management today so hectic. Woe betide the company – of any size – that takes a decade or more to emulate the management innovator in Tokyo, Turin or California.

Take two powerful but contrasting concepts which) just happen to be slightly connected. The first has still not become common practice after more than 20 years, while the second is doing so in less than half the time.

The first is "supplier networks" (or "vendor networks" in the US): the establishment of close relationships between a company and a limited number of carefully selected long-term suppliers, each of which has its own network of sub-suppliers. This approach replaces the traditional annual bidding war between a vast number of actual and potential suppliers, in which the customer company chooses largely on the basis of whose price it can squeeze most viciously.

The latest variant of this approach is "partnership sourcing". Japanese companies, and American pioneers such as IBM and Hewlett-Packard, were using it back in the 1960s. Britain's Marks & Spencer would also claim to have done so for years (though some critics describe its attitude to its supplier network as dictatorship rather than partnership).

The pioneers have demonstrated for decades the advantages of forging much closer relationships, with far fewer suppliers. The benefits include a reduction of the customer company's total cost through three factors: better quality; faster and more reliable delivery; and greater product or service innovation than is possible when customer and supplier companies behave as adversaries.

But only now is partnership sourcing starting really to catch on. A survey this summer by the Confederation of British Industry suggested that the proportion of UK companies that use it has still not quite reached half.

The second concept is "time-to-market": the acceleration of the complicated process by which a company develops a new product or service from initial idea into launched reality. Western companies first heard of this about nine years ago and then just in the electronics industry. Most other industries did not pick up the message until the middle or late 1980s. But today there is hardly a company anywhere that is not trying to introduce products or services more rapidly by accelerating its "development cycle", as the jargon calls it.

The connection between the two concepts is that a close relationship with one's external suppliers can help immeasurably in shortening time-to-market.

But this is by no means the only facet involved in accelerating one's development cycle, and it tends to receive less attention than purely internal ones. These include the dismantling of departmental walls to introduce so-called "simultaneous engineering" – in which previously sequential engineering tasks involving different specialists are carried out in parallel.

Some advocates of supplier networks feel that "time-to-market" has taken off more rapidly than their concept for reasons other than the general acceleration of managerial innovation. They argue that time-to-market is a simpler idea to grasp than are supplier networks (or partnership sourcing), and that its benefits are more obvious at first sight. There is a sliver of truth in this.

Yet the "relative simplicity" explanation does not really hold water. It is true that, at first sight, some companies find it difficult to weigh the advantages of partnership sourcing against its disadvantages: primarily the loss of short-term flexibility if a supplier's performance slips, or a competitor offers slightly lower prices.

But the same perceptional problem applies to "time-to-market". Managers often find it hard to become convinced of its essential message: not merely that it is possible to accelerate the development process without reducing its effectiveness or increasing its cost, but also that faster can mean more effective and cheaper.

When it comes to implementation, time-to-market can actually be more tricky than partnership sourcing: overcoming a lifetime of inter-departmental wrangles within a company is often a more monumental task than encouraging internal adversaries to get closer to the company's suppliers. There is an old but valid management adage that insiders often prefer dealing with outsiders to collaborating with each other.

The more rapid adoption of time-to-market is explained in part by the general acceleration of management innovation. But there may also be a more fundamental factor: that managers are at last realising that such concepts are not stand-alone approaches to be adopted one after the other over several years, but that they are intricately intertwined and must be digested rapidly in parallel. That certainly applies to the concepts discussed here.

It all adds up to a pretty daunting managerial menu. But a very necessary one in today's competitive conditions.

TECHNOLOGY

Taking a shine to new remedies

Is there a cure for baldness? Charles Arthur analyses the scientific basis of current treatments

Most bald or balding people feel wigs or toupees are passé. Nowadays, a growing number of medical or surgical techniques promise new hair – or at least a convincing substitute. That doesn't mean they necessarily sound like something you would try at home. The latest claimed cure being tested by the US Food and Drug Administration (FDA) resembles a salon hair dryer and applies a weak pulsed electrical field of about 800 volts across the scalp without touching it.

Apparently for social reasons, seeing a receding hairline in the mirror worries most men. Typical "male pattern baldness" – thinning at the crown, followed by loss across the top of the head – is due to a combination of ancestry (bald fathers usually lead to bald sons) and male hormones, which eventually cause the scalp's hair follicles to shrink, spending less time growing hair and more time quiescent.

In women, stress and immune diseases can also lead to hair loss (often temporarily), as can the sudden hormonal changes after pregnancy. Perhaps reflecting the increasing pressures of the modern world, a growing proportion of clients coming to hair loss clinics, traditionally a male haunt, are women. "Ten years ago it would be maybe 1 to 3 per cent," says Richard Ingham, UK director of marketing for Svenson Hair Clinics (which has 112 outlets worldwide treating 20,000 new clients annually). "Now it's more like 10 per cent."

Current Technology Corporation (CTC), the Vancouver-based company set up in 1988 to market the electrical method, has already raised C$14m (£6m) of which the company's two co-founders, Anne and Robert Kramer, have so far spent C$9m on trials and promotions. Their financial models say if they can get 70,000 Americans – fewer than 2 per cent of the 37m men and women who are losing hair – to take the treatments (at US$12.50 £6.50 weekly for nine months, and monthly afterwards), by the second year-of operation CTC will make profits of US$39m on revenues of US$73m.

Still, the causes of baldness are the same everywhere. In men, incidence increases with age; in the UK, almost 40 per cent exhibit some degree of hair loss by 35. In women, the figure for "excessive loss" is 30 per cent, but not age-linked.

But capitalising on the huge US market depends on receiving full FDA approval. For CTC, that is at least six months away; the FDA might even proclaim the method, which the company calls Electro-Tricho-Genesis (ETG), a dud. What then? According to Robert Kramer, CTC's chief financial officer: "We have started testing in other countries. And anyway, we wouldn't have started the FDA tests if we didn't think we had a better than even chance of passing." He also quotes successful studies performed by the University of British Columbia.

Yet even FDA approval does not guarantee riches. The only baldness cure which has so far received the FDA's nod is the drug Minoxidil, marketed in the US by the Kalamazoo-based Upjohn Corporation under the trade name Rogaine (and in Europe as Regaine). "The product is a solid performer," insists Paul Fitzhenry, the company's European spokesman. "Not a blockbuster, sure, but strong." Last year worldwide sales totalled $143m – though only $40m outside the US, despite the product being launched everywhere in 1988. (Sales in the US were slightly up on 1990; elsewhere, slightly down.)

> Perhaps reflecting the increasing pressures of the modern world, a growing number of clients coming to hair loss clinics, traditionally a male haunt, are women

Both Upjohn's and CTC's cures are thought to work by stimulating blood flow in inactive follicles, prompting them back to hair production. Oddly, neither was originally aimed at curing baldness. CTC's ETG therapy began as a research program to help migraine sufferers. Minoxidil began its pharmaceutical life as an oral drug for high blood pressure called Loniten, developed by Upjohn and launched in the US in 1977.

Among the side-effects doctors noticed with was new hair growth. Following seven years of trials, in 1988 Upjohn launched Rogaine as a baldness cure, to be applied externally twice daily.

The treatment is not, however, a panacea. Only one-third of users grow back the thick hair they wished for. Another one-third get soft, downy growth. The rest receive no benefit at all. "The best effects are on those who have lost the least hair," says Barry Monk, consultant dermatologist at the Manor Hospital, Bedford, who specialises in the subject.

More frustrating for the user – though heartening for the company – is that as soon as the treatment stops, the hair gain is reversed. "You go back to where you would have been without it," says Monk. That means using the drug is a commitment for life, or at least the term of one's vanity; and in the UK, it is only available on private prescription, not through the NHS or across the counter. "At £30 to £40 per month, it's a big commitment," says Monk. "There was a lot of interest at first, but now I can't remember the last time someone came to me asking for it."

Similarly, CTC's Robert Kramer admits that ETG is a treatment, not a cure. "It's like diabetes," he says. "You get treatment on an ongoing basis."

Comparing the natural loss of a few bits of hair to a potentially life-threatening disease may sound like hyperbole, but probably reflects an American attitude. "Upjohn's market research before the launch of Regaine indicated the British are less concerned about going bald than almost anyone. So the price here was less than in other European countries," says Monk. Still, most companies see the US as the biggest potential market.

For those unwilling to make a life commitment to sprays or (if it's approved) electricity, other alternatives include hair transplants and hair weaving.

Transplants entail surgically removing healthy follicles from the side or back of the head and punching them into the skin at the front. The outcome "tends to look like a planted forest," says Monk. The cost is in the hundreds of pounds, though Svenson's Ingham comments: "Once you've achieved a successful transplant, that's it." Failures do occur, though, usually due to infection of the transplanted roots.

Hair "weaving" is increasingly popular. Surgical thread a thousandth of a millimetre thick is woven into the bed of existing hair and then extended and enhanced with real hair, matched for colour and texture. Its disadvantages are that the "weave has to be repositioned and cleaned every month as the existing hair grows through. "But you can do what you like otherwise," says Ingham.

Why, in the end, do people want a cure for baldness? "In a recession a lot of people are frightened about losing their job," says Ingham. "People who are disadvantaged in terms of hair feel disadvantaged generally, and worry that younger, more virile-looking men will pinch their job."

However, Monk disagrees. "There's a stereotyped person who goes in for such treatments," he says. "To be honest, I feel they can't face up to reality. Most people are prepared to go bald gracefully."

Worth Watching · Louise Kehoe

Computer bees to the honeypot

Intel's launch this week of an accelerated version of its 486 microprocessor has prompted the release of a swarm of new high-performance personal computers and set the PC industry buzzing with price war frenzy.

Some 30 computer manufacturers have announced PCs based on the 66MHz Intel486 DX2 microprocessor, which provides a 70 per cent system performance improvement with little increase in cost. This is because the fast microprocessor can work with standard lower-speed components and PC makers can place the new chip in their machines without redesigning circuit boards.

Among those companies offering PCs based on the new chip are IBM, Compaq, Dell and Tandy. With little else to differentiate their products except price, competition is fierce. Intel: UK, 0793 696000.

Bottled water from the tap

Bulk users of bottled water – such as hotels, restaurants, clubs and hospitals – can now produce their own drinks at a fraction of the cost with an on-site filtration system. Eaupure, of Lancashire, markets a filter system using mains water, which passes through a three-stage filtration, is chilled and then carbonated if desired. The resulting sparkling or still water conforms to all UK and EC standards and is environmentally-friendly in other ways – no bottles to transport, store or dispose of. Stage one of the process removes particulate material from tap water, like grit, dirt, rust; stage two takes out organic residues and dissolved gases like pesticides, herbicides and chlorine; stage three traps anything larger than a micron in size, including pathogenic bacteria. Eaupure installs the units free and charges on a water metering system. It has 47 customers in the UK including the Royal College of Surgeons. Eaupure: UK, 0772 815950.

Silica aerogel launched in space

Sixteen pieces of silica aerogel, one of the lightest solids on earth, were launched into space last week when the space shuttle Atlantis released the European Retrieval Carrier, or Eureca, satellite.

The silica aerogel pieces are glued into aluminium canisters connected to the outside of the satellite. They will remain in space for nine months acting as cosmic dust catchers.

The experiment, which was constructed at the University of Kent, is designed to detect evidence of organic material containing carbon and hydrogen to address the age-old question of whether life exists in space.

The material was produced by scientists at the Lawrence Livermore National Laboratory in California. Within the last six months they have developed an even lighter silica aerogel that is less dense than air. Commercial applications are expected to include packaging and insulation. Lawrence Livermore National Laboratory: US, 510 422 1100.

Green writing is on the wall

For the environmentally conscious, Novamont of Italy has developed a biodegradable "green" ball-point pen. Made from a new "natural" thermo-plastic which is produced entirely from corn starch, the pen when discarded will completely disintegrate after 12 months.

Available in the UK from Raimart Pens, the Green Pen is appropriately coloured in yellow and green. It looks much like any plastic pen but has a slightly softer, warm feel in the hand.

The pen uses standard ink-refills, which are not biodegradable, but prolong the life of the product. In addition to inscribed versions of the pen for promotional uses, Raimart is offering a retail version by mail order, £4.99 for a pack of four including post and packing. Raimart Pens: UK, 071 263 6401.

FT LAW REPORTS

A patent for Dr Frankenstein

Celia Hampton and Simon Cohen on legal and moral problems of genetic research

The US and UK patent offices face a delicate decision: whether to allow applications to patent human genes. The decisions, and any resulting litigation, will cover difficult technical issues and also ethical issues on which the law gives little guidance.

A patent confers monopoly rights over its subject-matter so that the inventor can exploit it commercially for a period without having to face direct competition. One of the tasks of patent law is to define the scope of this incentive for innovation so that others are not unreasonably deterred from research in the same field.

The US National Institutes of Health (NIH) are carrying out research to identify the hundreds of thousands of genes believed to exist in the human genome, or genetic map. The UK's Medical Research Council (MRC) and others are collaborating in the project.

Individual genes have long been patentable in principle, but many scientists believe patents should be reserved for cases where the use of the gene is known: for one researcher to be given a monopoly over a gene of unknown function might discourage research by others into that function.

On the other hand, the value of the research to the US biotechnology sector will be much reduced if the results cannot be patented.

In 1991, with US government support, the NIH filed patent applications with the US Patent Office for some 3,000 fragments of human genes without knowing what they do. Scientists in other countries, including the UK, protested.

Last month, however, the MRC lodged its own application with the UK Patent Office for about 1,100 human gene fragments. Dr David Owen, the MRC's director of industrial collaboration and licensing, said the main purpose was to secure its position should the NIH application succeed: the MRC can more readily discuss non-assertion of patent rights if it has some of its own.

The US office is accelerating the NIH application, and is expected to deal with it at this preliminary stage more quickly and thoroughly than usual. If its decision is an unqualified negative, the MRC may well withdraw its application. If, as seems likely, it is a qualified affirmative, the deliberations of the UK office can be expected to take some time.

There are three main issues under UK law: the distinction between a discovery and an invention; the requirement of industrial applicability; and morality.

A discovery is made by finding out or characterising the existence of a property that already exists, but which was previously unknown. The sequencing and writing-down of the nucleotide sequence of any particular human gene fragment would amount to a discovery: it exists and always has existed – the difficulty has been in ascertaining its existence. In contrast, an invention involves the application of the property or the method of ascertaining its existence. Under section 1 of the Patents Act 1977, a patent is not available for a discovery, only for an invention.

The English Court of Appeal had to consider this in *Genentech v Wellcome [1989] RPC 147*, a case relating to production of the enzyme, tissue plasminogen activator (t-PA). It said: "... you cannot patent a discovery but if, on the basis of that discovery, you can tell people how it may be usefully employed, then a patentable invention may result. This ... would be the case even though, once you have made the discovery, the way in which it can be usefully employed is obvious enough."

In other words, the cataloguing of gene and protein sequences time – was an unpatentable discovery. But the existence of a practical use for this discovery in the production of commercial quantities of t-PA, even though itself obvious once the sequences had been discovered, transformed an unpatentable discovery into a potentially patentable invention.

An invention must also be capable of industrial application – capable of being "made or used in any kind of industry, including agriculture." This requirement was new to UK law in the 1977 Act, so there has been little judicial interpretation of it.

It would be difficult to argue that a gene is industrially applicable if its functions are unknown. It could be said that virtually every identified gene is or will be inherently useful, if not for its therapeutic properties, then in research as a genetic probe or as a marker, but this would effectively introduce a presumption of industrial applicability.

In US law, an invention has to be "useful" or to produce a "specific benefit ... in currently available form" *(Brenner v Manson, 148 USPQ 689, 1966, US Supreme Court)*. The definition has been moderated to include materials still in the research phase but this still pre-supposes a specific potential use.

This issue is likely to prove the most testing obstacle for scientists currently applying for patents on human gene fragments. But the moral issue must also be considered.

A moral decision distinguishes between right and wrong. Arguably, this is a decision which patent offices should not be called upon to decide.

The European Patent Convention (to which the UK is a party) precludes the patenting of inventions, the publication or exploitation of which would be "contrary to *ordre public* or morality". The UK Act translates this as "generally expected to encourage offensive, immoral or anti-social behaviour".

According to the concept of the separation of powers, a moral decision should be reserved to the political power. When the choice has been made, it should be formulated in primary legislation, with the rules and guidance needed for its application in individual cases by the judicial power. While application of the law may involve a moral judgment in a marginal case, judges should not be called upon to make the essential moral choice.

Where legislation pre-dates a particular development, it may not provide the guidance needed on any moral issues raised. Leaving these to judicial interpretation of wording not designed for that purpose risks politicising the judicial process – as witnessed by the abortion controversy in the US.

Dr Owen takes the view that the moral acceptability of patenting human genes should be addressed by legislation. Patent offices apply a series of essentially technical tests to decide whether a patent should be granted. Adding the duty to decide the moral question is capable not only of failing to give a proper moral judgment, but also of muddling the technical assessment of inventions.

The European Patent Office had to consider the issue in the "Harvard Mouse" application *(Oncomouse/Harvard [1989] OJ EPO 451)* for the Oncomouse, a breed of mouse developed at Harvard that contains human cancer genes and develops tumours soon after birth. Balancing the suffering of animals and possible risks to the environment against the invention's usefulness to mankind, it decided that the "Oncomouse's purpose of facilitating cancer research and treatment was of paramount importance for the welfare of mankind" and granted the application.

Genetic science raises a number of issues which are not covered by patent legislation. The patenting of human genes raises questions of right and wrong, such as whether properties of human life and identity can be "owned" by the patent-holder, and the line to be drawn between eugenics and a cure for cancer. Judges and patent examiners need guidance on these issues. The question of animal experimentation is another moral issue.

Other issues of a socio-economic nature also need resolution at political level, including: does genetic engineering endanger the diversity of life forms; is the protection of health adequately secured; and is the environment adequately protected?

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PEOPLE

Watkins' unscheduled arrival at LT

In a surprise move by the Department of Transport, Alan Watkins, the former boss of engineering group Hawker Siddeley, was yesterday appointed as the £100,000-a-year chief executive of London Transport.

The surprise is that almost no one knew the job vacancy existed. Until now, the function has been carried out by Wilfrid Newton, London Transport's chairman.

Last year, however, London Transport quietly called in McKinsey, the consultants, to have a look at its management. One recommendation was that LT should follow the current fashion for separating the roles of chairman and chief executive, leaving the former to concentrate on strategy and the latter to run day-to-day the business.

Watkins, 53, has been kicking his heels since losing his

job at Hawker Siddeley after the hostile takeover last year by BTR, Sir Owen Green's conglomerate. He had landed that job only two years earlier after spending his previous working life at Lucas Industries.

One slightly puzzling aspect of his appointment to London Transport is why a professional engineer (and a born-and-bred Brummie) would want to run the capital's buses and Underground trains, particularly when it means a considerable drop in pay from the £260,000 a year he picked up at Hawker Siddeley.

Watkins, pointing out that there are not all that many large engineering groups around with vacancies for chief executives, explains there is anyway a big engineering content in London Transport - all those trains, tracks, signals and bus garages. He says he relishes the task of building on the recent small signs of improvement in services.

And the money? "The financial rewards are secondary. And anyway, it's a good deal more than most people earn."

■ Peter Bonfield, ICL chairman and chief executive, has persuaded former home secretary Kenneth Baker to become his personal adviser. Baker, who left the cabinet after the April election, has also joined the Hanson board as a non-executive director.

An enthusiast for high technology in general and ICL in particular, Baker returned from the political cold in 1981 to become minister for information technology at the Department of Trade and Industry. Previously seen to be too closely allied to the old Heath administration for a cabinet position, Baker had written a paper to Mrs (now Lady) Thatcher outlining why Britain should have a minister specifically responsible for IT. She created the post and gave him the job, which he inhabited until 1984.

Within two years he had boosted government support for the field to £250m from £30m - a point that Bonfield, who came from Texas Instruments onto the ICL board the year Baker took up office, has perhaps not forgotten.

ICL, which is 80 per cent owned by Fujitsu, also notes that Baker has been an advocate of improved links with Japan. He is a director of the UK-Japan 2000 Group, and his business interests in the 1970's took him to Japan. Baker, meanwhile, has plenty of time for Bonfield. "He is one of the great successes of the British technology industry" he said yesterday.

Non-executive directors

■ Peter Knee, recently retired director of Reckitt and Colman, at DOMINICK HUNTER GROUP; Nicholas Moy has retired.

■ John Feltham at FIRST TECHNOLOGY; HRH Prince Michael of Kent is stepping down.

■ Ian Tegner, a former group finance director of Midland Bank and the current president of the Institute of Chartered Accountants of Scotland, as part-time chairman of the CONTROL RISKS GROUP. Sir James Adams, chairman of the Egyptian-British Chamber of Commerce and a former ambassador in Tunis and Cairo, at Control Risks Information Services.

■ John Foley is retiring from SOUTH WALES ELECTRICITY in September.

■ Richard Constant, md of Gavin Anderson & Co, at AUSTIN REED.

■ Philip Atterton has retired from FERRANTI INTERNATIONAL.

■ Gerald Jamieson has retired from SPHERE INVESTMENT TRUST.

■ William Kennedy has retired and become honorary president of BILTON.

■ Derek Penketh retires from PORTSMOUTH AND SUNDERLAND NEWSPAPERS.

Reshuffle at Soc Gen in London

Société Générale has promoted Patrick Pagni (left), boss of its UK securities operation Société Générale Strauss Turnbull (SGST), to become general manager of the London branch and UK general manager. Pagni succeeds Jean Huet, who moves to New York to take charge of the French bank's US network.

Pagni, 43, is a high flyer originally from the international division in Paris; he spent four years as the senior officer in Hong Kong between 1984 and

1988, with spells in Los Angeles, and, briefly, New York, beforehand.

His achievements at SGST, where he took over as boss at the end of 1990, have been mainly to supervise the expansion of equities sales and research at the traditional Eurobond house, "though we are not home yet," he admits.

His place at SGST is taken by Paul Tisch, 46, (right) who has been at Strauss since 1970, recently in charge of the equities division. Another Strauss veteran, Keith White, 44, at the firm since 1963, becomes deputy chief executive, retaining control of the Eurobond side. In turn, David Attard, 39, who arrived from S G Warburg Securities two years ago, steps into Tisch's shoes.

From top to bottom, Denis Quilley, Iain Glen and Susannah Harker, in Chichester's exuberant staging

Alastair Muir

She Stoops to Conquer

Alastair Macaulay

GUNS were not only banging away on the grouse moors on the Glorious Twelfth. Chichester's exuberant new staging of *She Stoops to Conquer*, which opened that evening, has shooting; birds falling dead from above, birds exploding in clouds of feathers, a splendidly docile dog and an equally docile ferret. It also has a marvellously robust play, ideal for Chichester, whose audience responded with wave upon wave of laughter and rounds of applause after several strong exit lines.

There are many reasons why Goldsmith's 1771 comedy is so strong, but, if there is one that makes it a classic, it is the character of the younger Charles Marlow. Relaxed with working-class women to the point of debauchery but terrified of the refined women of his own class, he still epitomises the inhibitions of a certain type of Englishman. He is too shy even to look at Kate Hardcastle, the girl his father intends him to marry; but when she fools him into thinking she is a serving-wench, he looks, pursues and is conquered.

Add to that Goldsmith's vigour of language, an array of vivid characters, and the ingenious farce ingredient whereby Marlow thinks he is staying, not with his prospective in-laws but in an inn (and treats Mr Hardcastle like the innkeeper in scene after scene) and you have a perfect comedy. It takes well to the difficult Chichester stage. David Walker's designs bring each of the many changes of scene prettily to life, and Peter Wood's direction injects everything with gusto and panache.

Wood has assembled from his richly talented cast performances that are excellent within a charm-school, flash-eyes-and-teeth kind of way. Energy is high, diction and projection first-rate. Denis Quilley is a warm hail-fellow-well-met Hardcastle, slightly too suave; Jean Boht a game, silly, bossy and amiable Mrs Hardcastle who (despite a wandering accent) underplays the character's delicious social affectations. As their niece Constance, Leonie Mellinger gives the most captivating, and objective, playing in the cast.

Iain Glen has everything to be an ideal Marlow – with the looks, voice, and manner (though he bows poorly) of a half-repressed rake. He even emphasises, interestingly, the note of disdain in the role. But, like most of the cast, he is always projecting his own awareness of what a charming comic character he is presenting. His way of raising his brows and batting his eyelids at the audience in mock-innocence could not be prettier.

Likewise, the bright smiles of the nasal Tom Hollander, as his pal Hastings, are winning in a predictable, Georgette Heyer, manner.

As Kate Hardcastle, Susannah Harker has Burne-Jones beauty, doe-like eyes and appealing animation. She is not, however, witty – her remark "he is good enough, for a man" tumbles by the wayside – and her voice is never as individual as her cheekbones and profile lead you to hope. The bright-eyed Jonathon Morris is too cute and smart to convince for a moment as her half-brother Tony Lumpkin. But, like the rest of the cast, he is a natural stage animal.

An excess of stage business during several scenes sometimes suggests that Wood does not always trust his play or players to keep the audience amused; but he is wrong. One brilliant scene follows another, and you are taken unawares by the lines. How about this one: "I vow, since inoculating began, there's no such thing as a plain woman." Goldsmith rules.

Chichester Festival Theatre (0243) 781312, until October 5

Obituary

John Cage

THE composer John Cage died on Wednesday in a Manhattan hospital, three weeks short of his 80th birthday. Celebrations for that event were already in place across Europe and the United States, for Cage was much loved on the international new-music circuit.

In many ways he could be regarded as the most influential figure in post-war music, one whose ideas ramified across the avant-garde arts. His own works may not endure (his own artistic stance would surely have rejected such conventional concepts as greatness and posterity) but his significant position among the convolutions of music in the second half of the 20th century is assured.

Born in Los Angeles in 1912, Cage started his conventional musical training in his late teens, and his brief spell of study with Schoenberg in 1934 has become a legend in itself: Schoenberg refused to contemplate Cage's compositions, describing him as "not a composer, but an inventor – of genius".

Within the next decade, however, he was beginning to create his own musical sound world, freed of the received ideas of his training. But while the percussion orchestras and prepared pianos of his pieces of the 1940s brought him close to the world of American experimentalism, his own philosphical inclinations led him far from their homespun transcendentalism.

From the late 1940s Cage studied Eastern philosophies, and in 1950 began working with the Chinese *I Ching*, first using its chance procedures to determine the details and structure of his compositions in his *Music of Changes* a year later.

From that first loosening of the composer's control over the shape and content of his music, it was a natural progression to a totally open-ended concept of what a musical composition could be, and quickly on to the notorious *4' 33"* for any instrument or ensemble of 1952, in which the performers sit mute on the platform and the music consists of the external sounds that break their silence.

Cage's ideas quickly attracted a small group of disciples in the US – composers such as Morton Feldman and Christian Wolff, the pianist David Tudor – and he established connections with visuals artists such as Robert Rauschenberg and Jasper Johns; his lifelong collaboration with the dancer Merce Cunningham dated back to the 1930s.

His significance to the European avant garde was slower to take root, but in the late 1950s he was discovered by the generation of Boulez and Stockhausen, who used his ideas of open-ended form to wriggle out of the strait-jacket of total serialism that threatened to stop their musical revolution in its tracks.

The conceptual break made, Cage's subsequent work, his writings and lectures as much as his music, merely expanded and exploited that sense of absolute freedom in which nothing need be excluded from the work of art.

His tape-pieces as much as his joyful instrumental collages utilised any sound material to hand, while his notated works used an increasing variety of means – astronomical charts, paper imperfections, computers – to free his music from any taint of creative discrimination.

By the 1980s his stature had turned decisively from that of derided eccentric to revered elder statesman; his own patent enthusiasm and open-handedness, his childlike fascination for games, as well as his serious interest in mycology all added to the portrait of a humane, multi-talented thinker.

Whatever was done in his name by artists of subsequent generations, Cage's intentions were never ill-meant; subversive in the best sense of the word, they provided a necessary corrective to the over-insistent dogmas of the post-war years and can take much of the credit for the polyglot musical world in which composers today can work.

Andrew Clements

London Promenade Concerts

BBC Philharmonic Orchestra

SHOSTAKOVICH'S Fifteenth Symphony, so laced with quotations, is a gift to the thematically conscious programme-builder. In Wednesday's prom it appeared alongside Rossini's Overture to *William Tell*, whose most famous theme dodges in and out of the symphony's first movement.

Both works were thrillingly delivered by the BBC Philharmonic and reflected the prodigiously wide-ranging gifts of their conductor, Edward Downes.

With his recently acquired knighthood and formal appointment at the Royal Opera House, Downes may be receiving the wider recognition his great gifts deserve, but it is useful to be reminded of the breadth of his sympathies, which stretch through the operatic and orchestral repertories right up to contemporary British works.

The brilliance of the Rossini may be relatively easy to spark, but the Fifteenth Symphony is a much more refractory nut. In a fascinating interval talk during the Radio 3 relay, David Fanning delved into the work's maze of references, its mingling of external allusion and musical autobiography, finally dismissing any thoughts of an explicit scenario to the work and settling instead for viewing the work as a purgatorial experience.

As such it surely invites comparison with Mahler's last two symphonic works. Shostakovich followed his song symphony about death, the Fourteenth, with this fugitive piece; Mahler followed his death-song symphony, *Das Lied von der Erde*, with the unfinished Tenth, whose third movement is explicitly labelled "Purgatorio".

Such parallels must surely have struck the hypersensitive Shostakovich. But Downes resisted all temptation to turn the work into a superficial quotation game; his steady unfolding – beautifully paced and wonderfully played by the BBC Philharmonic – placed the emotional weight on the second and fourth movements, menaced by their Wagnerian references, yet preserving their implacable flow. Even the closing pages, so easy to turn into a tear-jerking slow fade, were perfectly defined, unblinking and unafraid.

Between overture and symphony the young Norwegian pianist Leif Ove Andsnes played Britten's Piano Concerto, and in this context made it seem the most eastward-looking of all Britten's works, his closest stylistic approach to the pre-war Soviet music of Prokofiev and Shostakovich.

Andsnes made light of the technical difficulties, propelling the music at an exhilarating pace with crystalline passage-work. The Proms audience was suitably impressed and demanded an encore, a fragment of Grieg shot through with Chopin-esque shading.

* * *

Barely 50 minutes after the applause for the BBCPO had died away the evening's second concert in the Albert Hall was in progress. The Australian Chamber Orchestra is the house band of the concert hall at the Sydney Opera House. Its artistic director is Christopher Hogwood; Charles Mackerras and Richard Hickox are regular conductors. Hickox was in charge of the orchestra here, with Steven Isserlis recruited as soloist for Haydn's C major Cello Concerto.

Isserlis's impassioned playing was the most enlivened part of the evening. The orchestral contributions were routine and monochrome. Betwen the concerto and Mozart's G minor Symphony, the orchestra brought a short piece written for them by Peter Sculthorpe: a *Lament* from 1976, derived from his theatre piece *Rites of Passage* and receiving its British premiere. As a well-crafted string meditation, it is effective enough, but it left neither a lasting impression nor a distinctive flavour.

Andrew Clements

Mementoes of a wayward collector

Lynn MacRitchie explores the obsessive world of the artist Annette Messager

THE long Hayward Gallery tribute to Magritte now over, those still with an appetite for Surrealism may find the last days of the Annette Messager exhibition worth catching.

Born in 1943, this French artist is of a generation whose work was informed by radical politics of all kinds, including feminist and psychoanalytic theories. For her, the tools of pop art, such as found objects, comic books and magazine photographs used as a source of images, were a familiar vocabulary of expression.

The pop artists were not the first, however, to see the possibilities offered by seemingly innocent objects, and it is to those old masters, the Surrealists, that this intriguing show owes its most profound debt.

What Messager shares most obviously with them is a quality of obsession. She presents her work as made by two separate personae: "Annette Messager" and "Annette Messager, collector". As the second, she shows selections from a range of "collections" gathered at first in her small Paris flat (she now boasts a more spacious studio and a sometimes more expansive style).

The "collections" can be of anything. Two examples in the exhibition are dozens of framed copies of the artist's signature, written over and over again in ever varying styles in an attempt to achieve the perfect specimen, and "Le bonheur illustré" (Happiness illustrated)", photographs of exotic locations, animals and dreamy couples culled from advertisements and travel brochures and carefully copied in gaudy coloured crayon.

Even works which are not signed by Messager the collector display this obsessive gathering of images. "Péché" (Sin) is made up of dozens of black and white photographs of indeterminate events, which could be love scenes or brutal attacks. Above each image, taken from found sources such as detective, film or sex magazines and splattered over with coloured inks, hangs a further image of a finger, pointing.

"Mes voeux" (My wishes) is a similar collection of images, this time of body parts, noses, mouths, eyes, ears, genitals, photographed separately and individually framed, hung clustered in a circle at the end of long trails of string.

Also in the true Surrealist tradition is her recognition of the resonance of objects. One of the most beautiful works in the show is a series of vitrines, each holding a single dress. In one, the filmy white garment enfolds a large close-up photograph of a face, the features magnified, a combination of beauty and horror. In others, the dresses are covered with images, photographs, drawings, words, which seem to encapsulate the mood of the garment, the new worlds that slipping it on might suddenly reveal.

A plain black dress is covered with snapshots of lovers kissing, a mauve gauzy gown, the cloth itself patterned with good luck charms (horseshoes, four leafed clovers) is scattered with small drawings of mysterious symbols, each one an embodiment of possibility, including the possibility of disappointment, of loss.

Missing from this show is perhaps her most sinister collection, known as "Les Pensionnaires" (The Lodgers), the corpses of sparrows which she arranges and displays in various ways, always dressed in tiny knitted garments. Here, she echoes Max Ernst and his terrifying bird-headed creatures.

In other pieces, such as the "Petites Effigies" (Little Effigies), arrangements of soft toys, she anticipates Mike Kelley, whose installations featuring toys gleaned from thrift shops and rubbish dumps were recently at the ICA.

Compared with Kelley, whose message is strident, urgent, seeking to tear a way through to the child in all of us, to rub our noses in the carefully hidden chaos of our emotions and desires, Messager maintains the Surrealist tradition of mystery. Her works, no matter how disturbing, always have the quality of an elaborate game, even when, as in "Les effroyables aventures d'Annette Messager truqueuse" (The horrifying adventures of Annette Messager, the trickster) the game is played against herself. In this piece (not in the exhibition), a series of drawings, comic book style, Messager shows herself impersonating the "heroines" of that icon of the movement, the Marquis de Sade, depicting herself submitting to a variety of tortures and humiliations.

This theme is exemplified in the Camden show in "Les tortures voluntaires" (Voluntary tortures) another collection, this time of photographs of women undergoing various bizarre forms of "beauty treatments". These teasing and disturbing works indicate the presence of a very knowing magician, one whose tricks are underpinned with self awareness.

The mysteries that the Surrealists loved to conjure are with us still; Messager reminds us that, however random or unlikely the means of their manifestation, their source lies within ourselves.

Fables et récits (Stories and narratives)

● Annette Messager's exhibition "Telling Tales" is at the Camden Arts Centre until August 30.
Arkwright Road, London NW3 6DG; (071) 435 5224

INTERNATIONAL ARTS GUIDE

English National Opera opens its new season on Aug 27 with a revival of Jonathan Miller's celebrated Mafioso production of Rigoletto, with John Rawnsley in the title role.

Highlights of ENO's season include Nicholas Hytner's new production of La forza del destino with Josephine Barstow as Leonora (Sep 16), Gilbert and Sullivan's Princess Ida staged by Ken Russell (Nov 14), a new Mackerras-Pountney production of Janacek's The Excursions of Mr Broucek with Graham Clark in the title role (Dec 16) and the return of David Alden and David Fielding to stage Handel's Ariodante (next April).

Mark Elder and David Pountney, who leave ENO at the end of the season, go out with the world premiere of a new opera by Jonathan Harvey and David Rudkin.

The Royal Opera season opens on Sep 12 with Tosca, starring Luciano Pavarotti. Anne-Sofie von Otter sings Romeo in a revival of the Pizzi staging of I Capuletti e I Montecchi (Sep 22), and Domingo returns for Otello conducted by Solti (Oct 23).

New productions include Die Frau ohne Schatten conducted by Haitink (Nov 16), Verdi's Stiffelio with José Carreras, conducted by Edward Downes (Jan 25) and the return of Colin Davis for La Damnation of Faust (March 1993).

Trevor Nunn's Glyndebourne production of Porgy and Bess, starring Willard White and Cynthia Haymon, will be re-staged at Covent Garden in October. Recitalists include Teresa Berganza (Sep 15), Hermann Prey (Sep 23) and a farewell appearance from Carlo Bergonzi (Oct 16). The Royal Ballet returns with Swan Lake (Oct 22) and Anthony Dowell's Mayerling (Oct 29).

Glyndebourne Touring Opera brings Le nozze di Figaro, Katya Kabanova and The Rake's Progress to Sadler's Wells from Sep 24 to Oct 24, and Opera Factory celebrates its tenth anniversary with a revival of Harrison Birtwistle's Yan Tan Tethera at Queen Elizabeth Hall (Sep 3-12).

EXHIBITIONS GUIDE

BARCELONA
Fundacio Caixa de Catalunya The Avant-Garde in Catalonia 1906-39: the role played by Picasso, Duchamp, Miró, Dali and others in international artistic developments (housed in the new exhibition hall in Gaudi's La Pedrera). Ends Sep 30. Closed Mon
Museu Picasso Alexej Jawlensky (1864-1941): 119 works by the Russian-born artist who settled in Germany and developed close ties with the Blaue Reiter. Ends Sep 27. Closed Mon
Fundacio Joan Miró Moving Image, Electronic Art: 30 works representing the latest developments in art. Ends Sep 6. Closed Mon
BASLE
Museum für Gegenwartskunst Karl Gerstner (b1930): paintings and sketches by the Basle-born artist, mounted in co-operation with other museums in Switzerland and Germany. Ends Sep 28. Closed Tues
Kunstmuseum Transform: an exhibition exploring the relationship between 20th century painting and sculpture. The Kunstmuseum focuses on painter-sculptors such as Matisse, Picasso, Giacometti and Miró. The Kunsthalle has object art installations by Beuys, Borofsky, LeWitt, Johns and others. Ends Sep 27. Daily
BONN
Kunst- und Ausstellungshalle Territorium Artis: 150 key works by 20th century artists who were misunderstood or rejected by their contemporaries, including Max Ernst, Man Ray and Joseph Beuys. Ends Sep 20. Closed Mon
BORGO SAN SEPULCRO
Casa di Piero In the light of Piero: painting in central Italy in the age of Piero della Francesca. An exhibition marking the fifth centenary of the painter's death, with work by contemporaries from Luca Signorelli to Perugino. Ends Oct 31
EDINBURGH
National Gallery of Scotland Dutch Art and Scotland: the most important examples of Dutch painting to have entered Scottish collections, with outstanding works by Rembrandt, Vermeer, Hals and others. Ends Oct 18. Daily
Scottish National Gallery of Modern Art James Pryde (1866-1941): retrospective of a Scottish painter of powerful vision and originality. Ends Oct 11. Daily
Scottish National Portrait Gallery Allan Ramsay (1713-84): 60 paintings and 40 drawings by the Edinburgh-born artist who became one of the finest portrait painters of his time. Ends Sep 27. Daily
GENEVA
Musée d'art et d'histoire Drawings by Liotard (1702-89): 100 works by the Swiss pastellist who ranks as one of the most sensitive if least readily classifiable of rococo artists. Closed Mon. Ends Sep 20
Cabinet des Estampes Dali – true or fake. A study of the authenticity of paintings and drawings attributed to the Spanish Surrealist artist and dating from the early 1930s. Ends Oct 4. Closed Mon
Petit Palais Louis Valtat and the Fauves: 50 paintings, with a special focus on Valtat (1860-1952), a precursor of the Fauves. Ends Oct 30. Closed Mon
GIVERNY
American Museum American painters in France 1865-1915. Ends Nov 1. Closed Mon (99 rue Claude Monet, Giverny, 27620 Gasny, tel 3251 9465)
GOTHENBURG
Art Museum Carl Larsson: a bicentenary tribute to one of the most idiosyncratic figures in Swedish art, with more than 300 works ranging from juvenile drawings to the monumental paintings and illustrations of his maturity. Ends Sep 30
HAMBURG
Deichtorhallen Aspects of Photography: Anna and Bernhard Blume, Annie Leibovitz and Robert Mapplethorpe. Ends Sep 27. Closed Mon
HELSINKI
Ateneum Léger and the North: paintings and drawings from the inter-war period by Fernand Léger (1881-1955), pioneer of Cubism. Ends Oct 11
Architecture Museum Five Northern Masters: works by Aarno Ruusuvuori, Peter Celsing, Sverre Fern, Knud Hoscher and Hohna Sigurdardottir. Ends Oct 11
City Arts Museum Early 20th century Avant-Garde Art from Estonia. Ends Sep 13. This is supplemented by several other exhibitions of work by Estonian artists, including graphic works and ceramic sculptures at the Gallery of Graphic Art (till Aug 30) and Estonian metal work at the Museum of Industrial Art (till Sep 13)
LONDON
Barbican John Heartfield: the first major retrospective in Britain of the father of photomontage. Starting with his work as a Dadaist in the 1920s and ending with his stage designs of the 1950s, the exhibition has at its heart the famous images Heartfield created in the 1930s for A-I-Z, the Workers' Illustrated News in Germany. Ends Oct 18. Daily
Tate Gallery The Painted Nude: from William Etty to Lucian Freud. Ends Dec 27. Also George Baselitz (b1938): prints 1964-90. Ends Nov 1. Richard Hamilton retrospective. Ends Sep 6. Turner and Byron: 70 works exploring Turner's interest in Byron's poetry. Ends Sep 20. Daily
Royal Academy of Arts Alfred Sisley: 65 landscapes by the quintessential Impressionist. Ends Oct 18. Daily
National Gallery Manet: The Execution of Maximilian. Advance booking through First Call 071-497 9977. Ends Sep 27. Daily
Imperial War Museum Wyndham Lewis (1884-1957): Art and War. Ends Oct 11
Courtauld Institute Drawing in Bologna 1500-1600. Ends Aug 31. Daily
NEW YORK
Guggenheim Museum The Guggenheim and the art of this century: 250 works giving a chronological overview of modern European and American art. The SoHo annex museum unites modern masters with contemporary artists, under the title From Brancusi to Bourgeois. The main museum is closed on Thurs, the SoHo site on Tues. Ends Aug 27
Metropolitan Museum of Art Art of Islamic Spain. Ends Sep 27. Closed Mon
Whitney Museum of American Art Homecoming: William H Johnson and Afro-America 1938-46. Ends Oct 25. Closed Mon
PARIS
Parc de Bagatelle Henry Moore: 27 large bronze sculptures. Ends Oct 4 (Bois de Bologne)
Musée Guimet From the Tagus River to the Chinese Sea: a Portuguese maritime epic. Ends Aug 31. Closed Tues (6 place d'Iéna)
Louvre Homage to Philip Pouncey. Ends Sep 7. Closed Tues
Centre Georges Pompidou Manifeste: 7000 square metres given over to a multi-faceted exhibition covering the past 30 years of creativity in visual arts, video, cinema, architecture and design. Closed Tues
● Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles.
ROME
Trajan's Markets Anthony Caro: 38 large-scale works from all stages of the sculptor's career, displayed in the remarkable context of Imperial Roman architecture. Ends Aug 20

FINANCIAL TIMES

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Friday August 14 1992

Time to think long-term

ONE-TENTH of Britain's labour force is now out of work; the number of people who are unable to find work is greater than the 2.75m who appear in the official figures; and both measures of joblessness are likely to carry on rising this year, next year and probably the year after that too. There is little the government can do to prevent this, at least while real interest rates are so high. But it is not powerless. It should act decisively to ensure that the unemployed are able to re-enter employment and thereby hold down inflationary pressures when the recovery finally comes.

The government's strategy for dealing with the unemployed looks increasingly behind the times. Job clubs and other measures to help them search for employment or prepare for interviews make eminent sense when the economy is growing. But few economists now expect a recovery this year. The fall in output may have come to a halt, as yesterday's figures suggest. But there is little sign that it will start rising soon. The longer recovery is postponed, the larger the pool of long-term unemployed will become.

Cutting the availability of unemployment benefit from a year to six months, as the government is reported to be considering, would not be an improvement. As a way of saving money and cutting the budget deficit, it would be negligible. Of the 600,000 people unemployed for between six months and a year, less than half are eligible for unemployment benefit; and the majority of those would simply shift over to the means-tested supplementary benefit instead.

If the UK were plagued by large numbers of long-term unemployed who were unwilling to take available jobs, then cutting supplementary benefit would make more sense. But no-one could seriously argue that this is currently the case. Even when growth is buoyant, the evidence that simply cutting welfare payments helps people back into jobs is weak. Denying welfare payments to unemployed American men has not prevented a rapid growth of long-term joblessness there. And Britain's Restart programme, which toughened eligibility rules, proved more effective at shifting the long-term unemployed off the register than into employment.

What does make sense is for the government to make benefits conditional on participation in one of the currently neglected schemes designed to keep the long-term unemployed active: Employment Action and Employment Training. It should also explore training initiatives for those who would benefit: a revival of the acclaimed Training Opportunities Programme for some, remedial education for others. It would require many more places, and more money, than the government has so far should been willing to provide. But in the long-term, it would be worth the cost.

Rampaging bulls

AMID THE besetting gloom on world stock markets, it is rare to find investors queueing to buy new share issues; rarer still to find an exchange the subject of a riot by tens of thousands of over-enthusiastic citizens. Yet that is precisely what unfolded in the southern Chinese town of Shenzhen this week, as angry would-be investors rampaged after being excluded from the local stock exchange's latest share issues.

While such civil strife is bound to evoke memories of the bloody crackdown of June 1989, this was no Tiananmen. The authorities, conscious that Shenzhen is the showcase of China's market reforms, seem to have handled the violence with restraint. But the events of Monday night did spell out an important message concerning the pace and scale of economic reform – one which China's Communist rulers would be most unwise to ignore as they prepare to debate the issue at their 14th party congress this autumn.

In one sense, the Shenzhen riots might seem a setback for reform. Party conservatives will argue that they highlight the threat to stability posed by no-holds-barred liberalisation. In fact, the opposite is true: the riots illustrate violent enthusiasm for the sort of reforms that are favoured by Mr Deng Xiaoping, the nation's pre-eminent leader, and that are producing double-digit economic growth rates. But they also illustrate the dangers inherent in China's erratic approach to the market – and the pent-up pressures for faster reform.

The speculation, and accompanying corruption, in Shenzhen is symptomatic of one of China's basic structural problems: the disparity between vast liquidity in private hands and limited opportunities for private investment. This gap, coupled with the authorities' tendency to let go of the monetary reins at a time of reform, has been largely responsible for the "stop-go" cycle of overheating and deflation displayed by the Chinese economy in the past decade.

All the signs are that the overheating is now happening again, fuelled by a surge in credit to prop up state industry. To help avert another crash-landing, with potentially worrying political consequences, the authorities need to move rapidly to create more investment opportunities – in fixed assets such as housing, for example – to liberalise consumer prices further, and to put their own finances in order.

This week's events carry another warning for the gerontocrats in Beijing, for they show how the huge regional disparities in China's economic development can breed unrest. It was policy in the 1980s to relax state controls only in certain ring-fenced areas of the south, but this has become untenable. The reform bug is catching: people are flocking to park their money in Shenzhen from all over the country.

If China is to avoid national discord born of regional anomalies, the government must not only advance reform in the south, but also allow other regions to emulate the Guangdong experiment.

Water costs

AS WITH motherhood and apple pie, it is hard to be against higher water quality standards. Not so the cost of such improvements, which is potentially enormous. Yesterday's report from Mr Ian Byatt, the UK water regulator, estimates that water bills could rise as much as 50 per cent in real terms by the end of the century – and double by the year 2005. With water bills already accounting for more than 1 per cent of average net household income, Mr Byatt is right to express concern about the ability or willingness of customers to afford such rises.

Certainly there are improvements which need to be made in the quality of water supplies and the removal of sewerage. Avoiding outbreaks of bacterial contamination of drinking water requires further investment. And improvements in sewerage disposal are needed if bathing beaches are not to suffer avoidable pollution.

However, there are grounds for questioning whether some targets imposed by the EC and other environmental watchdogs are not excessive. The EC target for nitrate residues, for example, is set at a level which is the subject of considerable scientific controversy. Water companies may be required to take expensive steps to remove impurities from moorland water which do little more than give it a brownish tinge. Further investment is to be required to remove pesticide residues from water which is already 20,000 times less contaminated than vegetables cooked in it.

Existing EC directives must, of course, be enforced (although even then there is scope for interpretation of the requirements, as Mr Byatt pointed out). But any new regulations should be subject to much closer scrutiny before they are agreed. The case for higher standards needs to be established by adequate scientific research and analysis. And the benefits of such improvements should be weighed against their cost.

Even when the case for higher water standards is made, the cost should not always fall on the consumer. If nitrate and pesticide residues have to be removed expensively from water supplies, the principle that the polluter pays suggests a tax on the originator of the contamination to cover the cost.

There is also scope for savings to offset cost increases. Installing meters offers a cheaper way of balancing supply and demand in areas of shortage than increasing capacity. Mr Byatt indicates that he sees opportunities for greater efficiency improvements when the price limits formula is revised in 1995. And further cost reductions could be achieved if the return on capital in the water industry fell to reflect the very low risk in this essential utility.

Even if all these savings are made, there will still be real rises in water bills over the next 10 years. But if the increases are at the bottom of the range suggested in Mr Byatt's paper, it will be due to his assiduity in pointing out the cost of environmental rules. Consumers should welcome his initiative in opening the debate.

Slim pickings for the hungry bear

The depth of Russia's economic crisis raises the question of whether western aid is adequate, writes Michael Prowse

A year after Boris Yeltsin stood on a tank and faced down a coup in Moscow, Russia's economic outlook seems bleak.

Instead of striding into a bright capitalist future, people are complaining that life has never been so tough. In the short run, the reforms of acting prime minister Mr Yegor Gaidar appear to have ravaged industry and left the country on the brink of hyper-inflation. With the economy in chaos, political power seems to be draining away from market-oriented liberals and towards industrialists far less well disposed towards the west.

The plight of Russia and other former Soviet republics raises an uncomfortable question: have the western democracies done enough to lubricate the passage of economic reforms? Will future historians regard 1992 as the year when myopic leaders, preoccupied with domestic problems, failed to rise to one of the great economic challenges of the 20th century?

Russia's economic trauma is worse than anything seen in eastern Europe and unimaginable to most in the west. Mr Yukon Huang, a senior Russia specialist at the World Bank, estimates that Russian imports have dropped by about 70 per cent in the past year or so, partly as result of the collapse of trade with both eastern Europe and the other republics. Production has already fallen by between 25 per cent and 30 per cent and may fall by a further 10 per cent to 15 per cent before the economy begins to stabilise. This is about twice as severe as the Great Depression that shattered US economic confidence in the early 1930s. Mr Huang reckons inflation could rise to an annual rate of 2,000 per cent this year.

Given the political imperative of preserving stability in what is still a nuclear superpower, the scale of western assistance looks puny. Last week, the International Monetary Fund – chosen to spearhead the western aid effort – finally approved its first loan, a $1bn credit line for the remaining five months of this year. The World Bank followed with its first offering – $600m for the purchase of essential imports. The US House of Representatives, meanwhile, has belatedly followed the Senate in approving $1.2bn in US bilateral aid for Russia.

These dribbles of support are part of the much-vaunted $24bn financial aid package announced in April by President George Bush and other western leaders. Even if the $24bn had been made available immediately, it would not have been nearly enough to offset the vicious compression of Russian imports. In practice the $24bn has proved illusory. Up to $10bn represents debt relief, while a further $6bn is earmarked for a rouble stabilisation fund that the IMF is not prepared to activate until Russia has made much greater progress towards macroeconomic stability. Much of the remaining $8bn reflects a continuation of export credits provided for the past several years.

The delays in approving even small loans for Russia have prompted strong criticism from independent analysts. In a New York Times column, Mr Stanley Fischer, an MIT professor and former chief economist at the World Bank, claimed that western aid was so meagre as to have become "politically invisible" in Moscow. The west's policy of slow, diffuse support, hedged with conditions, had played into the hands of President Yeltsin's reactionary opponents. And in an implicit criticism of the IMF's role as a monitor of economic reforms, he said the Group of Seven countries should take direct charge of western efforts to help Russia.

A former IMF official who closely follows the Russian reforms is equally critical. "I believe the IMF could have been more courageous in mobilising western support for Russia," he says. He also criticises the scale of the IMF's own effort, arguing that a team of seven economists, flying in and out of Moscow on short visits, is wholly inadequate. "There is only one specialist working on Russian monetary policy when the problems are some of the most complex seen this century." He says the shortage of manpower prevents the IMF getting to grips with some of the thorniest problems, such as the monetary implications of the build-up of huge debts between enterprises.

Mr Fischer and other analysts fear that Russia will fail to qualify for further IMF loans (beyond the $1bn approved last week) because the financial targets set by the fund are unattainable. In a briefing last week, Mr Michel Camdessus, the IMF's managing director, again stressed that it was "absolutely essential" that Russia reduce its budget deficit to 5 per cent of gross domestic product in the second half of this year. On present trends Russia is heading for a deficit of 15 per cent or more of output. The IMF also wants Russia to reduce its monthly inflation rate to about 9 per cent; this target is also widely seen as out of reach.

Critics of western support for Russia should perhaps direct most of their fire at the G7 leaders rather than the IMF, which remains very much their instrument. With worldwide commitments, Mr Camdessus cannot conjure either staff or cash out of thin air: it was only this month that the US Congress finally approved America's share of a long-overdue capital increase for the fund. Nor can the IMF be expected to abandon financial disciplines honed over decades: if it gave cash without strings to Russia, it would receive similar demands from indebted third world countries.

The IMF has already bent its own rules. The $1bn credit was rushed through within nine weeks of Russia's membership (rather than a more normal nine months) and, unusually, was justified on the basis of past reforms rather than future commitments. The concessions were made to trigger the release of other loans (such as the World Bank credit) and to open the door to debt rescheduling by the Paris Club of creditor nations.

So what could western governments have done differently? In theory, one option would have been to accept that the transition from communism to capitalism is a unique long-term development challenge. The IMF's expertise lies primarily in the macroeconomic task of helping market economies adjust to short-run balance of payments imbalances, not in the microeconomic task of creating markets and capitalist institutions from scratch. The G7 could thus have created a new organisation dedicated solely to assisting the formerly communist countries and destined for oblivion once its historic task was complete.

Properly funded and staffed, such an agency could have made larger loans more rapidly than the IMF. It could have offered Russia more help during the crucial early months when confidence in Mr Gaidar's team was high, without setting dangerous precedents for other countries. Uninhibited by rules invented to meet the contingencies of previous decades, it could have improvised freely in response to crises.

The G7 may argue that a new agency was not necessary because it would have ended up advocating similar policies to those of the IMF, while lacking the fund's practical experience. There is some substance to this objection. IMF policies are not invented by some mysterious alchemy at its Washington headquarters. The main elements of its package for former communist countries – as rapid progress as possible towards balanced budgets, tight credit, liberalised prices, exchange rate convertibility, privatisation and a social safety net – reflect the consensus wisdom of finance ministries, central banks and many top academic economists.

A central plank of conventional wisdom, moreover, is that the first step towards free markets must involve macroeconomic stabilisation – tight budgets and money – which is the IMF's speciality. The present intention is that other agencies with microeconomic expertise, such as the World Bank, will step up assistance on privatisation and structural reforms as and when the fund completes its macro task.

Some conservative economists doubt that any effort by foreign public sector agencies could achieve much in Russia. The prospect of transfers from the west is merely "sand in the gears" of economic change, argues Mr Steve Hanke, an economics professor at Johns Hopkins university and a former member of President Ronald Reagan's council of economic advisers.

Mr Hanke points to Chile and to Guangdong province in southern China as examples of radical economic transformations achieved with practically no foreign aid. In Guangdong, internal moves to restructure enterprises and liberate markets have won the confidence of foreign private investors who have poured cash into the province. The results are spectacular: industrial output rose 27 per cent last year, having grown at an average annual rate of 20 per cent for the previous decade. Parts of the region could be mistaken for Hong Kong.

Economic progress in the region began with grassroots liberalisation rather than the unpopular austerity of a top-down macro "stabilisation" programme. Once foreign investors were convinced the Chinese meant business, they were only too keen to get a slice of the action. Yet the relevance of southern China for Russia is limited. Russia is no longer an autocratic state capable of embarking on a closely controlled, gradualist programme of economic reform. Indeed, in a freshly democratised nation, one of Mr Gaidar's principal headaches is the ability of the industrial lobby to block the restructuring of state enterprises and sabotage monetary policy.

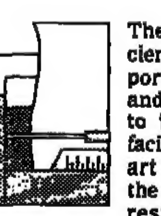
Ultimately, the west's reluctance to create institutions or back Russian reforms with large amounts of cash reflects the disarray in its own economic backyard, rather than a rational appraisal of the alternatives. If the US had ended the 1980s boom with budget surpluses rather than chronic deficits, it is safe to bet that it would have ploughed far more money into Russia. It would certainly have made a greater effort to supply the technical manpower urgently needed to help devise and implement structural reforms.

In spite of the formidable obstacles, Mr Camdessus seems quietly confident that Russia will hold to its reform path, despite its present pain, and that more ambitious IMF and World Bank programmes will be approved in due course. If Mr Gaidar loses power, the IMF will work with his successors in an effort to keep its show on the road. Having decided that big economic sacrifices on behalf of the formerly centrally planned economies are neither possible nor necessary (except in the special case of Germany), western leaders can only pray that their point man's optimism eventually proves justified.

PERSONAL VIEW

Risky bet on lotteries

By Dr Emanuel Moran



There are insufficient funds to support UK theatres and opera houses, to improve sports facilities, to retain art treasures for the nation and to restore historic buildings. The government's solution to all these is a white paper entitled "A national lottery raising money for good causes".

The white paper refers to two principles on which gambling policy is based. First, gambling should be properly regulated to ensure that it is conducted honestly and fairly; second, the demand for gambling should not be positively encouraged because, if taken to excess, it can cause distress for the individual and the family and have damaging consequences for society as a whole. Proceeding from the view that lotteries are the "softest" form of gambling, the government is said to believe that a fairly relaxed regime of control for a national lottery is consistent with overall government policy on gambling.

This assertion is, at best, naive. The white paper makes it clear that, for a national lottery to succeed, it will have to be widely encouraged. It cannot be assumed, therefore, that the dangers of excess which characterise all types of gambling would not occur in a national lottery. One should not extrapolate from the limited experience in the UK which is confined to small lotteries. Recent reports concerning the Irish National Lottery and of other overseas lotteries suggest that there will also be difficulty in preventing abuse by mass-buying and syndicates. In such circumstances, limited controls would be inadequate. Further, the advent of a national lottery will result in the pools as well as other sectors of the gambling industry wanting some relaxation of the controls on them, and the white paper states that the government would be prepared to consider the case for this.

Much is made, in the government document, of the fact that the proposed national lottery is for "good causes". But whatever the intentions concerning the use of the money that will be made out of a national lottery, the fact that the latter is nevertheless a form of gambling is played down throughout.

For many people gambling, within limits, provides a pleasurable and harmless activity and the existing lotteries are a means whereby such activity can benefit charitable, sporting and other good causes. In a national lottery, however, it is to be expected that the gambling element would predominate over any considerations of charitable giving. It is an undesirable departure in public policy that the government, through the establishment of a national lottery, should endorse gambling, as a substantial fund raiser.

A national lottery is not an efficient way of raising revenue. The government estimates that £1bn could be obtained from such a lottery for good causes. While one can wholeheartedly support the proposition that such a sum should be spent on the arts, sport and the heritage, it is arguable whether we should raise three times this amount and then give half of it back to some winners, in order to do this.

An alternative, for example, would be to add an appropriate amount to the duty on cigarettes and in this way find money for the "good causes". The impact on the retail price index would be far outweighed by the beneficial health effect and cost savings for the NHS, resulting from the reduction in the amount that is smoked.

However, the true intentions of the government become evident in the actual implementation of the proposed national lottery. Since the social impact of gambling is of such importance, the Home Office has until now been the department responsible for the law and policy on gambling. Consequently, the social factor has been the primary consideration in the formulation of public policy on gambling. Those, including the Exchequer, who benefit financially from gambling in any way, are consulted but do not take the lead in this matter. Yet the Department of National Heritage, whose purpose will be to maximise the turnover of the national lottery, is to be responsible for the legislation to authorise it.

This is a serious departure from established procedure and will result in a significant weakening of the policy of providing gambling facilities on the basis of unstimulated demand. It is not surprising that the betting industry has already indicated that it will seek a lifting of restrictions on betting offices. The result is likely to be an increase in excessive gambling, with all its damaging consequences.

The white paper states that it would be inappropriate for a national lottery to be seen as a way of funding the National Health Service, education or similar programmes. This implies, however, that the arts, sport, heritage and other charitable purposes are lower-division activities which can never look to securing adequate finance from central and local public funds, or from individual and collective private charity, and must look for help through inciting people to gamble.

The author is a consultant psychiatrist and chairman of the National Council on Gambling

India's government is facing a difficult struggle to keep its radical economic policies on course, writes **Alexander Nicoll**

A scandal that threatens to shackle reform

India's radical economic reform programme is in danger of running out of steam. The government of Prime Minister P V Narasimha Rao, facing a balance of payments crisis when it took office last year, responded with a drive to open the economy to international competition and shake the shackles of bureaucracy from the large, inefficient public sector.

But there is a growing feeling in Delhi that the momentum has been dissipated in recent months by a financial scandal, bureaucratic inertia and disappointing economic performance: "The traffic light has turned from green to amber," says Mr Jaswant Singh, a leading opposition politician who backs the direction of reform but criticises its management.

All is by no means lost. Nobody is suggesting that reforms have been irrevocably derailed. Mr Manmohan Singh, the finance minister and chief architect of reform, insists: "We have set out a programme and we are moving at the pace at which we said we would move. We haven't given up anything." Other politicians and officials who back reform, however, admit the pace is likely to slow.

A three-month parliamentary recess beginning next week will remove the burden of parliamentary disputes and give the government an opportunity to spell out the next steps in the reform programme, including a reduction of industrial subsidies and moves to revitalise banks. More important, it will provide a chance to regain the psychological momentum for reform.

Mr Singh's team of reformers are victims of the high expectations created by their radical approach. They advocate a fundamental shift towards the market by a country traditionally devoted to values of self-sufficiency, dominated by the public sector. Unlike most other reforming socialist economies, such as those of eastern Europe and China, however, India already had a vibrant private sector which could help to drive the economy ahead. The potential was tremendous.

But India also differs in having a well-developed democracy. China's leaders may argue behind the scenes about economic reform, but they do not have to face daily a rowdy and suspicious parliament.

Indian opposition parties have seized upon the Bombay financial scandal and are set to keep it in the political limelight at least until the end of the year through the proceedings of a newly-formed joint parliamentary committee.

Ashley Ashwood

India's industry: scandal threatens modernisation

The scandal, which erupted over fraudulent dealings in the country's securities markets and which involves funds of about Rs35bn (£625m), revealed a merry-go-round of transactions between banks, stockbrokers and investors, both fuelling and benefiting from a surge in the virtually unregulated Bombay stock market.

The scandal caused the downfall of some of India's top brokers and bankers and has damaged leading financial institutions as well as foreign banks. Standard Chartered, apparently the worst hit, has made £100m of provisions for expected losses.

Mr Manmohan Singh himself has been forced to devote much of his time to warding off opposition attacks related to the scandal – though there is no suggestion of wrongdoing on his part.

The scandal's positive effect is that it underlines the need for reform of the financial sector. But it has also occurred in the area of the economy which has so far been allowed the greatest freedom from control. And, ominously, the response to the scandal has exposed enduring suspicion of private sector activity.

For Mr Rao and Mr Singh, the road to reform was never going to be easy. And it was always going to get more difficult as more politically contentious issues were tackled.

The scandal's positive effect is that it underlines the need for reform of the financial sector

Parts of the banking system are almost paralysed by the multiple investigations now under way, raising worries that industry could be starved of capital.

The scandal's impact, however, is also political. One of the driving forces of reform, Commerce Minister P Chidambaram, had to resign in July because he had made a small investment in a company implicated in the fraud. "He was determined to push reforms at a greater pace than anyone else," says Mr Salman Khurshid, deputy commerce minister.

A number of factors remain in their favour. Even now, they enjoy a political consensus behind the broad thrust of reform. Opposition politicians agree that there is no desire to go back to the "license raj" in which bureaucrats had to approve virtually any corporate decision.

The government can also take heart from signs that the country's disappointing economic performance may be improving. Year-on-year inflation has dipped below 10 per cent agricultural production this year will be better than had been expected, exports and industrial production have seen a marginal upturn.

Such improvements are party a reflection of the reforms which have already been achieved. In little more than a year, the government has abolished most of the industrial licensing system and removed most restrictions on foreign investment. It has relaxed import restrictions and begun to cut tariffs; reduced some subsidies; cut the fiscal deficit and deregulated some interest rates. It has also begun the privatisation of some public sector companies; and made the rupee partially convertible.

The most important reforms still to be tackled, apart from continued cuts in tariffs and subsidies and a move to full rupee convertibility, are in the public sector. A restructuring package now near completion for the nationalised textile industry involves the loss of 75,000 jobs and probably the write-off of large debts to the government. Many other industries require similar treatment.

Mr Singh is seeking to build a consensus in these areas before proceeding. This week he floated the idea of banks issuing equity without mentioning the word privatisation.

"What we are trying to do is to get the workers on board, and I find that when the facts are explained to the trade unions and workers they do realise that we are grappling with these problems in a fair, effective manner," he says. He admits that this causes delay, but believes it will also contribute to the durability of reform "which will have the backing of all thinking sections of our population".

The nagging worry which could undermine the whole process, however, remains India's export performance. "I can't say I'm happy at all," says Mr Khurshid at the commerce ministry.

It was a balance of payments crisis which precipitated reform, as India suddenly ran out of cash to pay for imports. Industrialists say they have become much more export-minded as the economy's isolation and protection from the rest of the world is dismantled. But the results have yet to show through.

With reserves buoyed by IMF and other borrowings, as well as weak demand for imports, there is no fear of a similar crisis now. But India's long-term credit rating has yet to be raised by debt agencies after last year's downgradings by both Moody's and Standard & Poor's. Growth in exports would improve international confidence and ease fears that the country could slip back into another crisis.

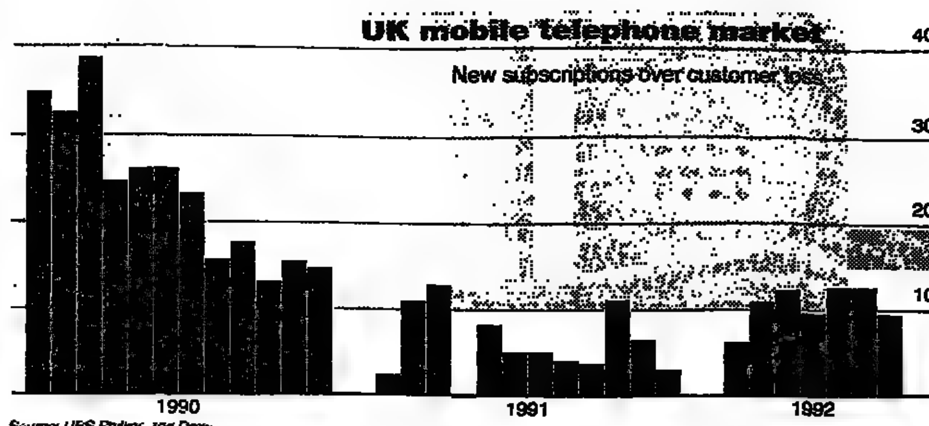
Mobiles for the masses

Michiyo Nakamoto on competition over portable telephones

After years of spectacular growth, spurred by the image of the high-powered businessman, changing conditions are forcing the mobile telephone to go downmarket. The expensive but essential business accessory of the 1980s is set to become the mass-market consumer item of the 1990s.

The change is being ushered in this summer by a battle between the UK's two cellular phone operators which want to bring mobile telephones to the ordinary consumer.

Yesterday, Vodafone, owned by Racal Telecom, announced a new pricing scheme called Low Cost Vodafone, to be launched in October. It comes in response to a similar scheme, Cellnet Lifetime, which was unveiled by Cellnet, owned by BT and Securicor, in June.



Source: UBS Phillips and Drew

Vodafone's new pricing policy will mean connection charges will fall from the current £50 to £30, and monthly line rental charges from £25 to £15. Cellnet is likely to offer similar rates. Handsets will also be priced at about £250 from this autumn, compared with as much as £800 today.

In exchange for lowering these charges, the network operators are making it more expensive for users of the scheme to make calls during peak hours. Vodafone's new low-use tariff has a peak-time call charge of 54p a minute inside the circumference of the M25 motorway; 46p outside. Peak hours are 7am-8pm, Monday to Friday; offpeak charges from 8pm-7am anytime during the week are 15p a minute. Cellnet's new low-use tariff has a peak call charge of 50p per minute for anywhere within the UK and an off-peak charge of 20p per minute. Peak hours are from 8am to 7pm, Monday to Friday; off-peak charges are at all other times.

The aim is to expand into the consumer and small business markets of mainly occasional users who are keen to own a mobile phone for the convenience it offers, but who are discouraged by the high costs of subscribing to a service. For users who do not make many calls, the service will be cheaper, but those making at least one peak-time call a day will find it more expensive.

Cellnet expects to add 200,000 new subscribers to its service in the first year after the scheme is launched in November. Vodafone predicts that with the new low-use tariff the number of mobile phone users in the UK will increase from 1.3m today to 7m by 2,000, of which half will be non-business users. At the moment, only about 5 per cent of users are non-business.

"The cellular phone industry has now passed its adolescence," says a Cellnet representative. "We're going from a low-volume, high-margin business to a high-volume, low-margin one." This direction holds out the only hope of growth, as the business market has become saturated, he says.

The recession has played a part in the transition. Although there are some signs that the market is picking up from its lowest point in summer 1991, there has been a substantial loss of customers over the past year – more customers are making fewer outgoing calls, which means lower revenues for the operators.

"It's a middle management and small business recession, and those are the people who mainly use the network," says a Vodafone representative.

What is worse, however, is that the business market of mobile phone users may not be growing much at all.

The overall cellular phone market grew just 7 per cent last year, compared with growth rates of anywhere between 70 and 100 per cent in the heydays of the late 1980s.

Cellnet believes that high-usage customers, who are more profitable for the network operators, are already signed on to a service. New subscribers, Cellnet is discovering, make less use of their phones.

To stimulate growth, prices would have to come down to levels acceptable to ordinary consumers. Rates of £50 for a connection and a monthly line rental charge of £25 are seen by many consumers as too expensive. One City observer said that when Cellnet announced its new pricing policy, his mother decided she could now afford to operate a mobile phone.

But simply reducing prices across the board, while it would enlarge the market, would hurt profitability. The complicated arrangement of introducing a different pricing scheme was necessary to lure non-business users while keeping business customers happy on the current scheme.

Business users who do not use their mobile phones frequently are expected to switch to the new pricing structure. Vodafone anticipates that 20 per cent of its existing customers will migrate, meaning a drop in profits of £5m in the first year. But the company expects customers to have switched to the new pricing scheme within two years, after which it hopes to see overall profit growth as new customers subscribe.

Unlike Cellnet, Vodafone believes there is still room for growth in the business market, though it is just as keen to tap the non-business market as its rival.

Both Vodafone and Cellnet face the prospect of competing with a new mobile system with the launch next year of Personal Communications Networks (PCNs). These are digital radio communications networks that will link users via radio handsets to ordinary telephone exchanges. Because they will user smaller handsets, and will cost only about half what Vodafone and Cellnet charge their business customers, they are expected to pose a serious threat to current mobile telephone systems.

In addition to PCNs, the GSM system, a digital standard that has been adopted by 17 European countries, will make a pan-European mobile telephone system available in a few years.

PCNs are likely to pose a greater immediate threat to the UK's two existing mobile phone operators, since it will take some time for the GSM network to be set up. GSM handsets are also likely to be heavier and more expensive than those currently available.

Vodafone already planned to address the PCN threat by launching a lower-cost scheme, called MCN (microcell network), which would reduce connection and line rental costs.

Although Vodafone stresses that the impending battle with Cellnet for more of the consumer market is not a price war, it is clearly launching its new pricing structure just one year before it plans to introduce MCN, because it fears being pre-empted by Cellnet. "We cannot afford to let the competition offer something we don't," Vodafone says.

With new services coming on offer over the next few years, competition is bound to heat up even further, reducing prices and bringing mobile telephones within reach of more people. "It will undoubtedly be a war," says Mr Chris Gent, Vodafone's managing director.

OBSERVER

Settling old scores

■ Yiannis Yiannikos, the elderly Greek publisher who has ridden to the rescue of Pravda, once the bible of the Soviet communist party, is making his second stab at becoming a newspaper proprietor. But this time revenge may be more important than profit.

Yiannikos belongs to the heroic age of Greek communism. After leading a guerrilla band in the Greek civil war in the late 1940s, he landed in jail. Then he became a publisher of Greek translations of Soviet books, notably the Great Soviet Encyclopaedia. In 1981, his partner in the encyclopaedia venture, George Bobolas, launched Ethnos, a leftwing tabloid which quickly became Greece's top-selling daily.

Yiannikos thought his publishing agreement with Bobolas gave him a half-share in Ethnos. Bobolas disagreed. After losing a succession of court cases, Yiannikos revealed that Ethnos was launched with money provided by the Soviet government. It later turned out that the KGB's dirty tricks department had been involved.

Owning Pravda will give Yiannikos a chance of scoring off Bobolas at last. Though Bobolas still flourishes – he owns 20 per cent of Greece's most successful private television station, Mega Channel – Ethnos's circulation has slumped badly.

Sir John's party

■ It is not every day that the chairman of Britain's biggest bank invites the media into his office for a drink, let alone his family home. But yesterday Sir John Quinton, Barclays outgoing chairman, opened up his riverside pad in leafy Bucks (four beds, three bathrooms and a Gertrude Jekyll garden) to celebrate ten years of Saturday opening at Barclays.

It would seem unthinkable for the banks not to open at weekends now, but back in 1982, when Sir John led the way, it was a revolutionary move in Britain's conservative banking industry. Barclays was the first of the big banks to take on the building societies and its success in this area was one of the main reasons why he won the chairmanship in May 1987. Like Deryk Weyer before him, who was passed over for the chairmanship, Sir John was one of Barclays' ablest bankers. It would be sad if he is remembered as the first Barclays chairman to get his job on merit and then blew his chances.

Morgan Stanley's banking guru, Keith Brown, says that it will be another two or three years before judgement can be passed properly on Sir John's time at the top. Observer believes that history may be kinder to Sir John than his current critics.

Shipshape

■ How times change. The last time that Merseyside was filled with sailing ships Derek Hatton and his unpatriotic Militant chums controlled the quayside.

At the official dinner for the crews, Hatton forbade proposal of the loyal toast. However, a furious local Labour politician got the chairman of Merseyside county council to ignore Hatton's orders and lead the drinking of Her Majesty's health. Eight years on and the same loyal politician, Harry Rimmer, is leader of the Liverpool council, and will be on duty this weekend when Spain's King Juan Carlos presents prizes to the crews of the 76 ships celebrating Columbus's voyage to the New World 500 years ago. Earlier this week Rimmer persuaded tenants of 67 council tower blocks to join a government sponsored housing action trust. If Rimmer keeps on like this, he should be in line for the customary knighthood.

"We'll give the former Great Britain a miss"

Big debate

■ So who has the largest free trade area in the world - Europe or North America? Widely reported claims that the North American Free Trade Agreement will create the "largest and richest" trading bloc on earth have clearly piqued the Europeans, whose very own European Economic Area (EEA) comes into being on January 1.

With just a hint of smugness, a European Commission official pointed out yesterday that the 19-nation EEA would have 379m inhabitants, against Nafta's 360m. "Added to which, the EEA will account for half of international trade, so it's difficult to have a larger area," she said.

As for being the richest, the EEA countries seem to win that battle too, with a combined gdp of nearly Ecu6,500bn: that's more than $9,000bn, compared with the Nafta countries' $6,000bn.

Trade negotiators must be hoping that such statistical sparring will be the only manifestation of rivalry between the two blocs.

Deep secret

■ Still on the subject of Nafta, consumer advocate Ralph Nader, remains on fine form. Upset that the North American Free Trade negotiations were conducted in secret, Nader's lawyers have been issuing everyone with toilet plungers. Referring to the Watergate Hotel, which is better known for being the source of Richard Nixon's downfall rather than the venue for the trade negotiations, the handles carry the inscription: "Where is a plumber when you need one? Stop the secrecy. Release the Nafta text."

Old friends

■ An Australian sugar cane farmer rammed his tractor into a horse box yesterday to rescue his pet pig Penny from government officials. Penny, a razorback or feral pig, was being taken to a research centre after elderly women complained that it had been attacking them.

Penny, who tips the scales at around 160 kg, has a drinking problem. She can't say no to a beer, gets drunk and gets into fights. So the board gave Penny's owner an ultimatum; destroy her or enrol her in a breeding programme. But when it came time to say goodbye, owner Boris Radic changed his mind.

LETTERS TO THE EDITOR

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Undecided position on rent reviews

From Mr J M Willis.

I read with interest Mr Samuel Brittan's Economic Viewpoint, "The 'upwards only' price mentality" (August 6). In it he states that "a county court has recently held an upwards-only rent review clause void".

Since I suspect that this relates to the recently much-publicised case between Boots and UK Land concerning a shop unit at the Elephant and Castle Shopping Centre, in London, I would like to clarify the position. The clause was not declared void.

Boots was applying to renew its lease. The old lease did not contain a rent review clause. Boots, on advice, accepted that it was now the norm to have a rent review clause, but argued that it should not be an upwards-only clause. The judge accepted this and quoted a previous decision: "What is sauce for the goose should also be sauce for the gander."

The case in fact did not change the law. It confirmed the previous position: where a party to a lease wishes to change the terms of that lease on renewal, it is for that party to show that the change either reflects modern terms or is just and reasonable in the circumstances.

What was left undecided is the position when the tenant seeks an upwards/downwards rent review clause instead of an existing upwards-only rent review clause. The tenant will have to prove that either it is now the general trend for rent review clauses to allow both upwards and downwards reviews, or that it is fair and reasonable in all the circumstances of that particular case for the change to be made.

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Misleading to say pay increases in manufacturing self-financing

From Mr Neil A Johnson.

Sir, You suggest that pay settlement levels still pose a threat to economic recovery ("Industry pay deals remain stuck above 4 per cent", August 10). The Engineering Employers' Federation agrees. Pay settlements have fallen dramatically since late 1990, but that does not mean the wage-price spiral is broken. Recession, not yet a new pattern of pay expectations, has provided the downward pressure on pay and inflation. The average recent pay settlement among EEF members has been about 4 per cent. With "pay drift", this could amount to some 6 per cent on earnings. At the bottom of a recession, 6 per cent earnings growth is far too high if inflation is to be reduced to 2 or 3 per cent.

It has been claimed that pay increases in manufacturing are "self-financing" through productivity gains. That is highly misleading, because competitive pressures often require manufacturers to reduce prices. A productivity gain passed on through lower prices is not available to "finance" increased pay.

The EEF supports the CBI's call for no increase in the public sector pay bill and for a shift in public spending from consumption to investment. However, complacency now about pay increases in the private sector would be a certain recipe for renewed inflation when the economy recovers.

Neil A Johnson,
director-general,
EEF,
Broadway House,
Tothill Street, London SW1

A puzzling obsession with age

From Mr John Farago.

Sir, Considering the usual enlightened approach by the Financial Times towards age, Observer's continuing obsession with retirement and the age of directors ("An age old problem", August 10, is the latest instalment) is puzzling.

Why should the age of directors or the duration of their appointment be of importance to shareholders? Is there any reliable evidence that younger directors run better companies than old ones? If age is so important, why does his or her age, and the duration of his/her appointment, not appear at the head of Observer's column? The same could apply to all your reporters and editorial writers.

The continued contribution to the economy of older men and women should be encouraged rather than criticised.

John Farago,
121 Church Road,
Wimbledon,
London SW19 5AH

Trolleys are the answer on M25

From Mr Adrian Wood.

Sir, The UK government's proposals to provide more motorway service areas ("M-way service sites to increase as controls are eased", and leading article, August 7) will amuse regular users of the M25, well on its way to earning a place in the Guinness Book of Records as the largest circular car park in the world. A more appropriate solution on that motorway would be British Rail-style trolley service.

Adrian Wood,
Court House,
The Green,
Rottingdean,
Brighton BN2 7HA

Standard allowance for mortgage tax relief would be fairer to all

From Mr John A Hutchison.

Sir, As a chartered quantity surveyor I do not pretend to have a full knowledge of the problems facing borrowers, lending institutions and government in the current housing crisis, but would offer the following for consideration.

The present system of tax relief on interest paid appears to be a universal benefit, but is it fair? For example, take three individuals: 'A' buys a house on a 20-year mortgage and enjoys the benefit of £600,000 tax relief compounded allowance. 'B' buys and sells several houses over a period of 40 years and enjoys £1.2m tax relief compounded allowance. 'C' does not buy at all and therefore receives nil tax relief compounded allowance.

Perhaps, therefore, the government should consider a standard tax relief compounded allowance per person (say £750,000) with the flexibility of use left to the individual counselled by his/her lending institution. For example £75,000 tax relief for a period of 10 years and nil tax relief for the remaining years they choose to have a mortgage (or series of mortgages). The system of salary multiples which determines the borrowing limit should be maintained to prevent abuse of the system. Those individuals who opt not to buy could be allowed an enhanced pension on retirement or the opportunity to sell their "benefit" to others.

This would not necessarily cost the government more than the present system but has the advantage that it could be adjusted every so often to boost or dampen the domestic housing market irrespective of interest rate movement. Furthermore, the government would probably have a better estimate of the cost to the Treasury of mortgage interest tax relief than it can possibly have at present.

This system could be of immediate benefit to those borrowers teetering on the brink of "the repossession route". It may also prove attractive to others who are keen to buy their own property or move to larger property, but are reluctant or have limited resources through family commitments at this juncture. Finally, if practicable it could be applied retrospectively to those already in "the repossession route" but not yet homeless, or those who find themselves in the unfortunate position of having a mortgage in excess of their property's value. In the last circumstance, if the borrower cannot hold out then perhaps he or she could surrender their "benefit" or part of it to raise sufficient funds to make good the shortfall.

John B Hutchison,
42 Plewlands Gardens,
Edinburgh E10 5JR

FINANCIAL TIMES
Friday August 14 1992

Disagreement arises over core demands including blanket amnesty

Setback in South African talks

By Philip Gawith in Johannesburg

HOPES of an early resumption of South Africa's constitutional talks received a serious setback last night as the African National Congress announced that its preliminary contact with the government, including discussions for a blanket amnesty, had proved "fruitless".

The ANC said there had been "no visible movement" from the government in terms of meeting the core demands – for an end to violence, the installation of an interim government and constituent assembly elections. The ANC says these demands must be met before negotiations can recommence. As a result, the ANC said it would "refuse any further requests for meetings with the government".

Earlier in the day, Mr Kobie Coetsee, justice minister, told a press conference in Pretoria that substantial agreement had been reached with the ANC on details of a blanket amnesty for those who had committed political crimes.

The ANC in a statement denied any such agreement had been reached, saying it had never lent its support to a general amnesty and denying any link between the question of political prisoners and amnesty.

Talks, which ended in stalemate, at the last formal negotiating round in May, were suspended by the ANC in June following the massacre of 42 residents of Boipatong.

However, the ANC's latest comments come at the end of a week when the two main parties had seemed to be moving together again, after last week's general strike and mass action protests.

Mr Coetsee said the government had approved an amnesty plan drawn up in recent bilateral discussions between itself and the ANC. He said the talks were facilitated by Mr Cyrus Vance, the United Nations special envoy, during his visit to the country last month.

The ANC believes the estimated 300 to 400 political prisoners still in prison, mostly former ANC members, should be released under existing amnesty arrangements.

The government argues they are guilty of serious common law crimes such as murder and grievous bodily harm that are not covered by the earlier agreements. It believes a new blanket amnesty, which would also cover members of the security forces and state, would be necessary.

The ANC says it has decided to suspend any further talks with the government on the issue of political prisoners because of the government's bad faith. It also disputes the "moral competence" of the current government to offer amnesty saying this is a matter for an interim government. The ANC argues that security force members involved in the violence should be prosecuted and not granted amnesty.

The ANC also disputed the argument by Judge Goldstone, who is leading a commission investigating political violence, that a general amnesty was necessary to help investigations.

The flare-up last night overshadowed the government's announcement earlier in the day that it had accepted the report of UN secretary-general Mr Boutros Boutros Ghali which includes a recommendation for an external investigation into state security forces and the sending of 30 observers. The Goldstone Commission has offered to conduct the external probe.

Mr Pik Botha, foreign minister, said the government agreed with the tone of the the secretary general's report and with its recommendations "as a whole".

Bush calls on Baker

Continued from Page 1

takes over as acting secretary of state.

Mr Marlin Fitzwater, the White House press secretary, said he would remain in his job, with Ms Tutwiler as an assistant, but he waved a hand with crossed fingers as he said so.

He ducked questions about the future of other senior White House advisers, including, on domestic policy, Mr Clayton Yeutter and Mr Roger Porter.

The transfer of Mr Baker, who left the treasury department four years ago to take over the Bush campaign, has been expected for a month.

In anticipation, Mr Clinton and other leading Democrats have said that events in the Balkans, the Middle East and elsewhere make this the worst time for him to be withdrawn from control over foreign policy.

"This move is unwise," Senator Joseph Biden, the Democrat from Delaware, said on the Senate floor yesterday morning.

Mr Clinton himself described Mr Baker as "a talented man", adding: "I think they want him back because they won with him before and they obviously are a little bit in disarray."

Preparations for the Republican convention in Houston next week are too far advanced for Mr Baker to change much. The party platform being drafted this week reflects the dominance of the right wing in both social and economic policies and probably goes further in some areas than Mr Baker, long distrusted by hard-line conservatives, would like.


President George Bush announces Baker's appointment

But he can be expected eventually to rein in some of the wilder assaults on Mr Clinton and the Democrats. These have grown in virulence over the last week to a point that may be politically counterproductive. A particular recent target has been Mrs Hillary Clinton, portrayed by Mr Rich Bond, Republican national chairman, as a radical reformer who equates marriage with slavery. Mr Clinton has dismissed such assaults as "pitiful" and "pathetic".

Mr Baker, showing rare emotion in farewell remarks at the state department, said his belief in the necessity of continued American global leadership had persuaded him to switch jobs – "one of the most difficult decisions of my life".

Nations express concern over Nafta

By Our Foreign Staff

JAPAN, the EC and south-east Asian nations all expressed concern yesterday over the agreement to bring together the US, Mexico and Canada to form one of the world's two largest trading regions.

The Japanese automotive industry reacted particularly strongly to requirements for increased local content in vehicles produced within the free trade zone, which it said would affect car production in Canada.

Japanese government and business leaders said the North American free trade agreement (Nafta) – unlikely to be finalised until spring next year and coming into effect in January 1994 – appeared to increase barriers to goods from outside.

Japan is asking the Geneva-based secretariat of the General Agreement on Tariffs and Trade (Gatt) to set up a Nafta working party.

Nafta "could be inconsistent with Gatt principles," said Mr Yasuo Tanabe, director of North America trade policy planning at the Ministry of International Trade and Industry.

Apart from an approach to Gatt, Japan is also to air its qualms about Nafta bilaterally with the three countries.

Mr Tanabe stressed that Japan welcomed free trade agreements which had "a positive effect to outside countries' flow of trade and investment and to global trade as a whole".

He also said the pact should not deflect attempts to reach an overdue conclusion to the Uruguay round of world trade talks which should remain the top policy issue for Gatt members.

Japan was not alone in expressing concern over the possible impact of the agreement. In Singapore, Mr Lim Boon Heng, senior minister of state for trade and industry, said: "Although both the single European Market and Nafta are claimed to be non-protectionist, they will cause their businessmen to look inward at least for the short term. This could also mean slower growth for other countries, including Singapore."

Thailand was concerned that Mexico might start producing the kind of goods it currently exports to the US and Canada.

Exports that might be affected included textiles, apparel and rubber products, a Thai foreign ministry official said: "One solution might be for Thais to invest in Mexico," he added.

US and Canadian forces opposed to the pact entered the fray yesterday. It became clear that Canadian Prime Minister Brian Mulroney faces a struggle selling the agreement to a wary public. Mr Bob White, president of the 2.3m-member Canadian Labor Congress, said he would fight the pact.

The European Commission gave the Nafta a guarded welcome, but urged the US, Mexico and Canada to respect world trade rules in setting it up.

British unemployment rises for 27th consecutive month

By Peter Norman and Emma Tucker

UNEMPLOYMENT in Britain rose to a five-year high last month but a slight second-quarter increase in manufacturing output encouraged government hopes of a feeble recovery from recession.

The Department of Employment reported that unemployment increased for the 27th consecutive month in July as the number of jobless claiming benefit rose by a seasonally-adjusted 29,100 to 2.75m. This lifted the unemployment rate to 9.7 per cent of the workforce last month from 9.6 per cent in June.

But, contrary to forecasters' expectations, manufacturing output crept higher in June, resuming the slight upward trend of the first four months of the year. The figures raised hopes that next week's provisional gross domestic product figures for the second quarter will show no further decline.

In spite of a sharp 95,776 increase in July's unadjusted jobless figure to 2.77m, last month's figures were only slightly worse than the average City of London forecasts and pointed to an improvement in underlying trends compared with last July and the early months of 1992.

The output and jobless figures – combined with statistics showing a sharp slowdown in the growth of average earnings to a rate of 6 per cent in the 12 months to June – cheered the stock market after seven consecutive days of decline. The FTSE-100 index rose 14.9 to 2,318.

The Treasury drew encouragement from a 0.2 per cent increase in manufacturing output between May and June and revised figures showing that May's fall in output was less than earlier thought. According to the Central Statistical Office, manufacturing production rose by 0.4 per cent in both the first and second quarters. "The figures suggest there has been a distinct improvement in this key sector of the economy which has been borne out by the broad results of business surveys," the Treasury said.

Mrs Gillian Shephard, the employment secretary, said the unemployment news was "showing signs of improvement" and pointed out that the 19,400 average monthly increase in unemployment in the three months to July was "the smallest recorded for any three-month period for nearly two years".

She announced a £2.4m ($4.6m) national advertising campaign to encourage employers to notify job vacancies to local Jobcentres to increase the job opportunities available.

This followed evidence in of a decline in job vacancy inflows and placings at Jobcentres between June and July.

Yesterday's output data encouraged some City analysts to suggest that the recession might be coming to an end. Mr Michael Saunders, UK economist of Salomon Brothers International in London, said the figures suggested that non-oil GDP in the second quarter might have risen by between 0.1 per cent and 0.2 per cent compared with the first quarter with overall GDP staying broadly unchanged.

Others warned, however, that yesterday's news was consistent with the economy bumping along a "corrugated bottom" and that further falls in output could lie ahead. Mr Robert Lind, an economist at UBS Phillips & Drew, pointed out the most recent industrial trends survey from the Confederation of British Industry suggested that output could weaken in the coming months.

Indeed, CBI economists have expressed concern that, without any pickup in business and consumer confidence, employers are likely to announce further redundancies soon.

Overseas earnings, Page 5

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	R	16	61	Frankfurt	C	15	59	Majorca	S	30	86	Oporto	S	22	72	Tenerife	F	25	77
				Brussels	F	17	63	Geneva	S	23	73	Malaga	S	26	79	Oslo	C	16	61	Tokyo	C	29	84
				Budapest	F	30	86	Gibraltar	S	26	79	Malta	S	27	81	Paris	R	19	66	Toronto †	R	12	54
Ajaccio	S	28	82	Buenos Aires	F	18	64	Glasgow	S	18	64	Manila	F	32	90	Prague	F	21	70	Tunis	S	32	90
Algiers	S	31	88	Cairo	S	35	95	Helsinki	F	18	64	Melbourne	C	13	55	Reykjavik	C	11	52	Valencia	S	28	82
Amsterdam	F	19	66	Cape Town	F	17	63	Hong Kong		–	–	Mexico City				Rhodes	S	29	84	Venice	S	28	82
Athens	S	34	93	Caracas	F	28	82	Innsbruck	F	22	72	Miami †	C	31	88	Rio de Janeiro	R	23	73	Vienna	S	27	81
Bahrain	S	37	99	Casablanca †	S	26	79	Inverness	C	15	59	Milan	S	28	82	Rome	S	29	84	Warsaw	F	29	84
Bangkok	F	33	91	Chicago †	C	19	67	Islamabad	C	35	95	Montreal †	S	13	55	Salzburg	F	23	73	Washington †		–	–
Barcelona	S	27	81	Cologne	C	17	63	Istanbul	S	30	86	Moscow	C	21	70	S'Francisco †	C	21	69	Zurich	S	23	73
Beijing	F	21	70	Copenhagen	F	18	64	Jakarta	C	33	91	Munich	F	21	70	Seoul	C	29	84				
Beirut	S	29	84	Corfu	S	34	93	Johannesburg	S	14	57	Nairobi	C	23	73	Singapore	F	30	86				
Belfast	F	16	61	Dallas †		–	–	Lisbon	S	25	77	Naples	S	31	88	Stockholm	F	19	66				
Belgrade	S	28	82	Dublin	R	13	55	London	R	15	59	Nassau	[illegible]	32	90	Strasbourg	F	20	68				
Berlin	C	16	61	Dubrovnik		–	–	Los Angeles †	F	32	89	New Delhi	C	35	95	Sydney	S	15	59				
Biarritz	S	22	72	Edinburgh	C	16	61	Luxembourg	R	14	57	New York †	R	28	83	Taipei	F	34	93				
Bombay	R	26	79	Faro	S	27	81	Madeira	F	25	77	Nice	S	27	81	Tangier	S	31	88				
Bordeaux	C	23	73	Florence	F	28	82	Madrid	S	29	84	Nicosia	S	30	86	Tel Aviv	S	32	90				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Cold water treatment

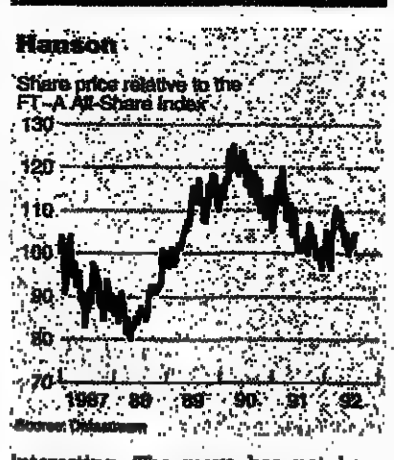
Yesterday's bounce in water company shares was a clear expression of relief that Ofwat's statement on the cost of water quality contained no nasty surprises. Indeed, Mr Byatt made plain that substantial real price increases will be required if tough environmental standards are to be met. It is only natural for water companies and the market to applaud. Yet future capital spending requirements remain as vague as ever.

Ofwat's own estimates to 2005 range from £28bn to £43bn, depending on the stringency of the quality regime. The regulator wants the sector to operate with a higher level of borrowing, but, even on the lower of these figures, real price increases will be required simply to keep the water companies within their bank and bond market covenants for interest cover. If expenditure is near the top end of this range, debt finance alone will hardly suffice.

Moreover, harmony between the industry and the regulator is only skin-deep. The companies will resist yesterday's proposal that real annual efficiency gains of 5 per cent should help offset the cost of water quality. Shareholders will suffer in the form of lower dividends if unattainable efficiency targets are set.

The industry has also failed to convince Mr Byatt he was wrong to propose a reduced 6 per cent rate of return on equity from 1995. He concedes that highly-geared water companies may require a higher rate of return to attract capital, but there will be generally less scope for dividend growth in the second half of the decade. The sector has still outperformed the market by 60 per cent since privatisation. That going cannot be maintained.

FT-SE Index: 2318.0 (+14.9)



Source: Datastream

Royal Insurance

Accounting smoke and mirrors may persuade Royal's management that life is not so bad, but the markets will take more convincing. At first sight, the transfer of Royal Life to the group's holding company increases Royal Insurance's solvency ratio from an uncomfortable 26 per cent to a near average 40 per cent. But the improvement is as cosmetic as it is startling; other composite insurers would also increase their ratios in varying degrees if they accounted in the same way. An unkind observer might conclude that Royal had sought a buyer for its life operations, but could find only itself.

The timing of the reorganisation is interesting. The move has not been prompted by the regulators, or by the possibility of brokers switching business to companies with stronger balance sheets. But the management clearly feels a need to present its composite business in a better light.

At the operating level things remain difficult. The company has raised its estimate of losses on mortgage indemnities from around £175m to £250m in only three months. A decision to focus on higher quality business and reduced market share may be sensible, and some sectors show the benefit of premium increases. But with the balance sheet already weakened, props for the share price are being knocked away. Total dividends this year might come to 8p per share, leaving little yield support. If losses from mortgage indemnity or elsewhere rise, stated net asset value may not be a reliable guide to the share price. Investors looking to a bid for support may wait in vain. Few insurers can afford to buy and, through its exposure to mortgage indemnity, Royal may already have swallowed its own poison pill.

UK economy

The economic news has been filled with such unremitting gloom of late that yesterday's figures for manufacturing output stand out a little more than they deserve. An 0.2 per cent increase in June together with small upward revisions for April and May were better than financial markets had expected. Output actually rose by 0.4 per cent in the second quarter over the first, raising the possibility that GDP may have been flat during the period instead of falling as the City had begun to assume. But if that means the scribblers may be spared the trouble of downgrading their 1992 forecasts yet again, it does not allow them to revise them upwards either.

It is not as if CBI survey evidence points to a further rise in manufacturing output during the current quarter. Nor is there much consolation in a 29,100 monthly increase in July unemployment which is above the quarterly trend in recent months. The good news might be that average earnings growth has fallen to 6 per cent, but that also is a measure of the extent to which the economy is still under pressure. So it is not the ideal moment for sterling to close at just DM2.8170. Though still some four pfennigs above its absolute D-Mark floor, sterling is painfully close to the point where the government must raise interest rates or lose the market's trust in its determination to defend the parity.

Hanson

It would be unwise to read too much into Hanson's decision to forgo involvement in Canary Wharf or to take the £144m gain from the sales of British Ever Ready and its ICI stake below the line. Hanson has pulled back from grandiose schemes before, for instance, its mooted role in UK power privatisation. Disposals have also been taken below the line, despite the different treatment accorded its Newmont Mining stake in 1991. Nonetheless the two developments tend to confirm suspicions that the sober-minded influence of its new top management is growing.

If that is so, Hanson will increasingly be measured by the underlying profitability of its mainstream businesses. After adjusting for exchange rates and last year's Newmont gain the fall in profits slowed to 5 per cent in the first nine months compared with 6 per cent in the first half. The company is more optimistic on the US outlook. But it is not clear how far full year figures will rely on interest earnings or on the release of provisions.

Besides, Hanson's gearing to US recovery can be overstated, not least because of Peabody's dependence on long-term coal contracts. Hanson is unlikely to benefit next year from the abnormally low tax rate – of 18 per cent in the first nine months – resulting from the ACT effect of its switch to a quarterly dividend. That, together with uncertainty about the speed at which the payout will rise, hardly makes the shares a raging buy.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 14 1992

INSIDE

Tough going at McDonnell Douglas

Mr John McDonnell, chairman of McDonnell Douglas, could not be accused of false modesty. "When the going gets tough," began his message to shareholders in the company's latest annual report, "the tough get going . . . It is an apt description of our position." Page 15

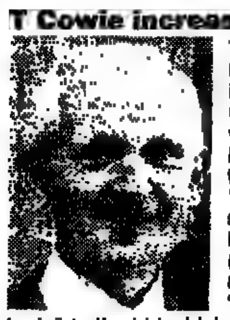
Thomson earnings fall 11%

Fierce competition in the UK travel market and continued weakness in North American newspaper advertising helped lower Thomson's second-quarter earnings by 11 per cent. The Canadian-controlled group, which is the UK's largest tour operator, reiterated it was "not prepared to concede market share" to its competitors in the travel market. The UK regional newspaper business remains weak. Page 15

Efim move angers creditors

Creditors of Efim, the Italian state holding company which was put into voluntary liquidation last month, are to be issued bonds paying interest at only around half current market rates. Italy's unilateral decision to freeze payments and cut the interest rate has angered foreign bank creditors. Page 14

T Cowie increases offer



T. Cowie, the UK motor trader, yesterday raised its bid for rival Henlys Group and said that it was its final offer. Henlys *continued to oppose* the offer saying it had "no hesitation in urging shareholders to reject it". Mr Gordon Hodgson (left), chief executive of *Cowie, said there was* "compelling commercial logic" to the bid which would "substantially enhance the prospects" for both companies' shareholders. Page 18

UBS P&D in the jungle

Mr Terry Smith, the suspended head of UK research at UBS Phillips & Drew, likens company accounting to a jungle with many species *of animals, including carnivores.* Little did he know that he would be one of the first to be devoured as a storm erupted over his forthcoming book, called Accounting for Growth. The Financial Times has a draft. Page 18

Bad times for British wool sales

The British Wool Marketing Board has a tough job ahead of it, and stray black hairs are just the beginning. The wool market is in the doldrums, having just weathered its worst three years. Britain, Australia and New Zealand have wool stockpiles which continue to depress prices. And in the next couple of years the UK government is going to end its price guarantee programme, meaning an open market for British wool. Page 22

Slow times comes to Taiwan

Along with other marginal investors in an economically depressed world, Taiwan's wealthy individuals are finding better things to do with their savings than investing in the island's dull equity market. Since the government quashed a rally last February with action on money supply and a squeeze on the inflow of foreign investment, the weighted index has recorded a steady downward trend. Back Page

Market Statistics

Companies in this issue

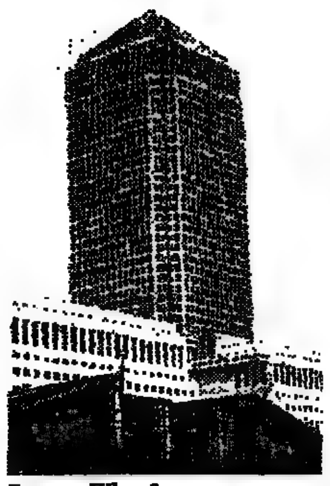
Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Herlitz	247	+	21	Cred Lyonn	509	+	15
Linotype	371.5	+	17.5	**Falls**			
Porsche	525	+	15	Cetelem	710	–	25
Falls				Imetal	318.6	–	8.6
Aachen	680	–	25	LVMH	3579	–	132
Daimler	620.5	–	10.1	[illegible]	111.4	–	7.3
GEHE	410	–	20	Vallourec	127	–	6
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Gap	31 3/8	+	1/4	Hotta Textile	125	+	13
Gen Motors	37 1/2	+	3/8	Showa Highpol	1170	+	120
Cons Edison	21 7/8	+	1/2	Teisan	370	+	40
Falls				**Falls**			
Am Software	9 1/2	–	4 1/8	Japan Casting	190	–	30
Northrop	25 1/8	–	7/8	Nippon Housing	102	–	46
SciMed Life	47 1/8	–	1 3/8	Nippon Steel	121	–	24

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Yorks Water	438	+	20
Acorn Comptr	33 1/2	+	2 1/2	**Falls**			
Booker	391	+	12	BM	66	–	15
Comm Union	458	–	15	Barclays	290	–	12
Gen Accident	418	+	17	Cook (Wm)	189	–	13
Glynwed Intl	196	+	13	Higgs & Hill	43	–	5
GRE	129	+	10	Kelsey Inds	309	–	27
Hammerson A	216	+	9	Learmth Bicht	95	–	7
Henlys	75	–	6	Liberty	513	–	42
Lasmo	147	+	10 1/2	[illegible]	51	–	6
Medeva	162	+	10	Relyon	123	–	5
Pirelli	330	+	26	Sedgwick	141	–	17
Saatchi	157 1/2	+	7 1/2	StandPlatform	65	–	5
Thames Water	411	+	19				

Canary Wharf rescue hits snag



Canary Wharf

Bankers oppose details of plan by the Larry Tisch consortium, write Robert Peston and Roland Rudd

STRONG opposition to the US consortium bid for control of Canary Wharf, the east London *property development*, was voiced at yesterday's meeting of the project's 11 bank lenders.

A European banker said yesterday that the consortium's insistence that any money it puts into *the project should be repaid* ahead of the banks was "a big problem". However, the banks have not rejected the offer. After a meeting lasting most of the day, the banks set up a sub-com*mittee of three banks, including* Lloyds of the UK and Crédit Suisse of Switzerland, to negotiate with the consortium's US adviser, Smith Barney.

In a separate development, Hanson, the conglomerate, *dropped plans to make an offer* for Canary Wharf, which is in administration under UK insolvency procedures. Mr Derek Bonham, Hanson's chief executive, explained: "A big investment like *Canary Wharf could have added* an extra £1bn to net debt; it would have been negative to our profit and loss account for several years and there was no payback for 10 years."

The US consortium is led by Mr *Larry Tisch, the media billion*aire, and was formed by Mr Paul Reichmann, the Canadian developer who set up the project. It is proposing to inject £350m ($668m) into Canary Wharf to complete *the project and provide a contri*bution to the costs of building the Jubilee Line underground train extension to Docklands.

The interest rate paid on the £350m would be a normal bank rate of interest. However the con*sortium would also receive a 50* per cent equity interest in the project.

The remainder of the equity would be split between the 11 banks and Olympia & York, Mr Reichmann's company which built Canary Wharf.

The banks, owed £576m, are concerned that they would be relegated to "a second mortgage position" if they accept the consortium offer, a banker said.

At yesterday's meeting, the banks accepted that there is a month left for the private sector to find £160m if the Jubilee line is to be built.

A banker admitted that the consortium bid is the firmest rescue plan for Canary Wharf yet, although the banks are looking at five other proposals. "If the banks turn it down, there is a risk that there will be no Jubilee line and the project will be liquidated", a financier said.

Hang Seng Bank lifts payout on 22% rise

By Simon Holberton in Hong Kong

HANG Seng Bank, the listed subsidiary of Hongkong and Shanghai Bank, yesterday reported a 22 per cent rise in net profits to HK$2.3bn ($300m) in the six months to June 30, from HK$1.9bn a year earlier, and forecast a 67 per cent increase in dividends for the year.

The bank said it had reviewed its dividend policy in the light of its decision to report earnings on a fully-disclosed basis. Hongkong Bank, which owns 61.5 per cent of Hang Seng, moved to full disclosure when it bid for Midland Bank earlier this year.

Mr Alexander Au, managing director and deputy chief executive, said in future the bank intended to pay around half of its net profits in dividends – a third of which would be paid out at the interim stage. Previously it had paid out half reported earnings.

He said, however, the percentage increases in the payout this year were exceptional and one-off. The increases reflected the move to full disclosure and their scale would not be repeated in the coming years, he said.

Hang Seng said it would pay an interim dividend of 65 cents a share, compared with 38 cents a year ago. It expected to pay not *less than HK$1.67 for the year* – an increase in total 1992 dividends of 67 per cent over the 1991 payout.

The bank said the Hong Kong economy had maintained its momentum in the first half, with the trade sector performing well and domestic demand buoyant. "Against this background, the group's deposit and loan growth both recorded satisfactory progress during the first half."

Mr Au said the bank registered some slight growth in mortgage lending but there was evidence of a slowdown towards the end of the half year.

He said the "star" performer for the bank was trade finance. There had been very brisk growth in exports, especially re-exports, and Hang Seng's trade *finance business had done well.*

Banks in Hong Kong over the past year have enjoyed gross margins of around 5 percentage points. Deposit rates are low, while lending rates are relatively *high as a result of government* policy.

But in the second half the difference between margins year-on-year will be slight. Growth will depend on competition rather than on windfall gains from government policy.

Royal cuts dividend after £79m interim loss

By Richard Lapper in London

THE PROBLEMS of the housing market have undermined recovery at Royal Insurance, one of the largest UK composite (general and life) insurers, which made interim pre-tax losses of £79m ($152m).

The group, which reported a loss of £97m at the same stage in 1991, reduced its interim dividend to 2p from 11.25p.

The result was heavily skewed by poor results from domestic mortgage indemnity policies, which insure mortgage lenders against a percentage of losses from sales of repossessed properties. Claims and provisions against such claims amounted to £100m compared with £22m at the same stage last year.

Mr Richard Gamble, chief executive, expected mortgage indemnity losses for 1991, 1992 and 1993 to top £500m, compared with an estimate of between £400m and £450m made earlier this year. "More of the claims are coming through. The recession is biting even harder," he said.

The group also said it was separating UK life operations from general insurance business, in a restructuring scheme which will transfer some £500m of debt and ownership of the life company from the insurance operating subsidiary to the holding group.

The restructuring increases the solvency ratio (net assets as a percentage of non-life premium income) of the general insurance subsidiary to 40 per cent. Without it the ratio would have fallen below 30 per cent.

UK INSURERS mortgage indemnity losses (£m)	1991 * (full yr)	1992 (6 mths)
Royal	257	100
Commercial Union	13.9	8.9
GRE	46	17

* all companies changed accounting basis

Mr Gamble was cheered, however, by a fall in underwriting losses on most other lines of business as a result of premium increases, more selective underwriting and tighter control of costs. Underwriting losses in the UK fell to £172m from £195m and to $148m from $200m in the US.

The group has reduced its exposure to the UK motor market and insures 30 per *cent of its 1m policyholders via its direct* writing subsidiary, The Insurance Service.

At the new Royal Insurance operating subsidiary, general insurance underwriting losses of £310m (down from a loss of £361m last time), estate agency losses of £9m (up from a loss of £8m) and long-term insurance losses of £12m (against a profit of £8m), were offset by investment income of £235m (down from £247m).

Income from associated undertakings fell to £9m from £20m. Profits at the new life subsidiary, Royal Life Holdings, rose to £27m from £26m.

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Fortunes diverge for UK insurers

Varied exposure to housing market has created contrasting results, reports Richard Lapper

Fortunes in the UK insurance industry appear split following the publication this week of the first-half results of three of the biggest composite (general and life) companies.

Interim figures show General Accident and Commercial Union clawing their way back to profit after internal rationalisation, price increases and tighter underwriting disciplines imposed in the wake of the industry's worst ever losses in 1990 and 1991.

General Accident made a pre-tax profit of £9.5m ($18m) in the three months to June and slashed its six-month losses to £21.2m compared with a £105m deficit at the halfway stage last year. Commercial Union reported a profit of £2.3m for the second quarter and reduced its six-month loss to £18.1m.

But in spite of implementing the same recovery measures, Royal Insurance is still submerged under the weight of losses stemming from the slump in the housing market and the high level of repossessions.

Claims and provisions on its book of domestic mortgage indemnity, or DMI policies – which cover mortgage lenders against losses on the sales of *repossessed properties – cost* Royal £100m in the first half, converting a small profit on other lines into a pre-tax loss of £79m.

Although that represents an £18m improvement on last year, *the company faces at least* another £150m of mortgage indemnity claims over the next 18 months, depressing future prospects.

Mr Roy Elms, director of underwriting, said: "We've got that albatross around our neck. Anybody who doesn't have it has a tremendous advantage over us." *"DMI is a bloody curse,"* added Mr Richard Gamble, chief executive.

Royal's overall losses from mortgage indemnity between 1990 and 1993 will cost the company more than £500m, an amount equivalent to more than a third of its capital and reserves at the end of June. Underwriting losses from mortgage indemnity *for the whole industry between* 1991 and 1993 could reach £2.6bn, according to SG Warburg, the securities house.

Some analysts are talking about a "decoupling" of the sector in which those companies least exposed to mortgage indemnity difficulties will be able to take advantage of the upturn in pricing and grow at the expense of their hard-hit rivals, which, as well as Royal, include Eagle Star (a market share of DMI of about 15 per cent) and Sun Alliance (which has more than 20 per cent of the DMI market).

Sun Alliance, the biggest and most powerful UK insurer in the 1980s, is doubly disadvantaged by the severity of the UK recession because of its *heavy investment exposure to* UK equities, according to some observers.

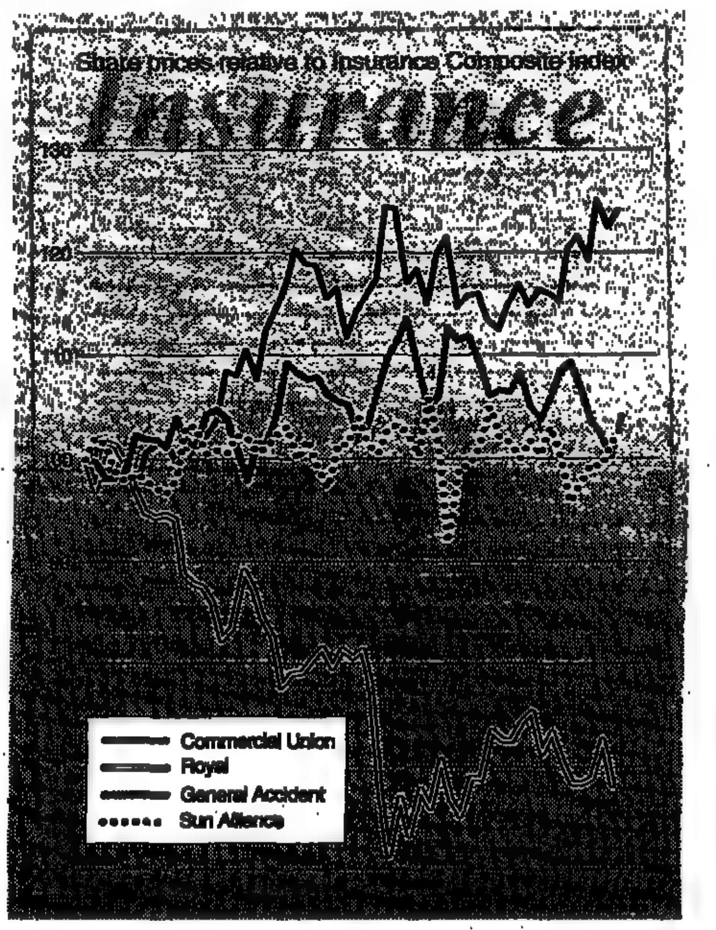
This week's results show that GA and particularly CU are well placed to take advantage of the *problems of their rivals. Both* companies are raising capital to finance possible expansion.

GA is seeking shareholders' permission to issue up to £300m in preference shares in order to increase its room for manoeuvre in the upturn, while CU launched a successful £100m preference issue in May and has increased *its share of the UK market over* the past 18 months.

Mr Paul Hodges, analyst with James Capel, the securities house, says observers have "perhaps underestimated how quickly the companies could recover".

At any rate, analysts believe that exposure to mortgage indemnity will become an increasingly important factor in insurance share ratings.

Mr Tom Bennett, of securities house Banque Paribas Capital Markets, who has posted buy notices on the three companies – CU, GA and Guardian Royal Exchange – least exposed to the housing market, said: "These guys are sitting pretty. Their major competitors have been shot to pieces by DMI."



Hanson reports 21.2% fall pre-tax after nine months

By Roland Rudd in London

HANSON, the Anglo-American conglomerate, yesterday reported a 21.2 per cent fall in pre-tax profits for the nine months to June 30 as the economic climate affected both sides of the Atlantic.

The fall in profits, from £967m ($1.8bn) to £762m, was exacerbated by the weakness of the US dollar and the absence of any natural resources disposals. Last year's profits were boosted by £127m from the sale of Newmont Mining, which was swapped for Cavenham Forest Industries.

This year's sales of British *Ever* Ready and the 2.8 per cent stake in Imperial Chemical Industries were taken below the line and extraordinary income was £144m against £23m last time.

After adjusting for the sale of these businesses, *turnover* increased from £5.82bn to £6.11bn.

Mr Derek Bonham, chief executive, said: "After adjusting for the different exchange rate [which boosted last year's profits by £41m] and last year's natural resources profit, this year's pre-tax profit decreased by only 5 per cent."

This year's profits continued to be boosted by acquisition benefits. These included a full seven months' contribution from Beazer, the US construction business, and a nine months' contribution from Cavenham.

Earlier in the day Hanson announced that discussions with parties in the Canary Wharf project had ended. Hanson's shares rose 2 1/2p to close at 195 1/2p.

*Mr Mark Cusack, conglomer*ates analyst at Barclays de Zoete Wedd, said: "The fact that Hanson looked at Canary Wharf and rejected it is no surprise. Mr Bonham had a realistic view that *market reaction would have been* cynical and sceptical if it had bought Canary Wharf."

Hanson is to concentrate on building its core businesses, through acquisitions and growth, and is planning to sell some smaller companies on both sides of the Atlantic.

While the group found no tangible evidence of a recovery in the UK it said economic conditions in the US were improving slowly.

Lord Hanson believes that the delayed recovery in the UK will mean that many of the companies which just managed to survive last year are now in worse trouble and may be forced to turn to a big company such as Hanson for help.

In the three months to June 30 pre-tax profits fell from £379m to £274m on sales of £1.88bn (against £1.89bn). Fully diluted earnings per share for the three months to June 30 were 4.6p, down from 6p.

Net debt fell from £1.6bn to £1.1bn and is expected to fall to below £800m by the year-end.

The second quarterly dividend was unchanged at 2.75p.

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KLM Royal Dutch reports 72% first-quarter plunge

By Ronald van de Krol in Amsterdam

KLM ROYAL Dutch Airlines yesterday reported a 72 per cent decline in first quarter net profit, due partly to a widening of losses at NorthWest Airlines, the US carrier in which it owns a substantial minority stake.

Other factors behind the downturn were higher interest charges and the absence of book profits on the sale of aircraft.

Net profit tumbled to Fl 38.4m ($23.3m) in the three months to June 30 from Fl 135.9m in the same period of 1991-1992.

Operating profit improved by Fl 28.8m to Fl 182.3m, but this increase was almost entirely offset by a Fl 26.8m rise in interest payments.

At the same time, KLM's share of losses posted by associate companies – mainly NorthWest – widened to Fl 60.9m from Fl 25.8m the year before. KLM also showed a book loss of Fl 0.8m on the sale of computer equipment in the latest quarter compared with a Fl 62.7m book profit in the previous year on the disposal of older DC-10 aircraft.

Mr Pieter Bouw, chairman, told the airline's shareholders' meeting yesterday that the industry faced a difficult year. The fierce price competition on fares between Europe and North America would be felt not only by KLM but also by NorthWest, as well as by competitors.

KLM declined to predict full-year results, citing the onset of price wars over the North Atlantic and the uncertainty surrounding the results of the company's holdings in other airlines.

The first-quarter results were below analysts' forecasts, and the company's shares closed down 4.5 per cent at Fl 27.70, though above the day's low of Fl 26.

KLM noted that the 18.8 per cent rise in operating profit was achieved against the background of a lower dollar and the outbreak of fierce competition on important North Atlantic routes.

The airline, which is in the midst of a cost-cutting programme, added that the productivity of its workforce improved by 14 per cent compared with the first quarter of last year.

Total traffic at KLM and its Cityhopper subsidiary, including passengers, cargo and mail, rose by 12 per cent to 1.35bn tonne-kilometres.

But traffic revenue (excluding newly-consolidated Air Littoral of France and Transavia, the Dutch charter airline) increased by only 9 per cent, reflecting fare-cutting and negative currency movements.

Total turnover, including new consolidations, rose by 17 per cent to Fl 2.2bn, outstripping a 16 per cent increase in total costs to Fl 2.0bn.

Cut-rate paper for Efim's creditors

By Haig Simonian in Milan

CREDITORS of Efim, the Italian state holding company which went into voluntary liquidation last month, are to be issued bonds paying interest at only about half current market rates, the Italian authorities announced yesterday.

Although they will receive back the full value of their loans when the bonds mature after five years, Italy's unilateral decision to first freeze payments and then cut the interest rate has already angered the country's foreign bank creditors.

The difference in interest rates between those on the bonds and current market levels means creditors will receive only about 80 per cent of the total principal and interest that would otherwise have been due.

Mr Piero Barucci, Italy's treasury minister, noted that after allowing for reclaimed tax, the figure would be about 90 per cent. Mr Barucci stressed that the difference would decrease should market interest rates fall during the life of the new bonds.

Under the terms for the new paper, announced last month but only revealed in detail yesterday, creditors will be given paper, denominated in either lira or ecu. The coupon on the lira bonds will be 7.25 per cent, while that for the ecu will be 4 per cent.

The details received a hostile reception from foreign banks. The decision to offer paper in more than one currency and to pay interest retrospectively from July 18, when Efim was wound up, was appreciated, but bankers reacted angrily to the coupon levels.

The details came in a government decree, replacing original legislation which put Efim into voluntary liquidation and froze its debt. Under the changes, Efim subsidiaries which are trading profitably will be able to resume payments to creditors.

Efim, with debts of L8,500bn ($7.66m), owes about L3,500bn to foreign banks.

French companies hit by slowdown

By Alice Rawsthorn in Paris

THE SLOWDOWN in the French economy affected a number of large industrial companies in the first half of 1992. The Suez industrial group, the Thomson-CSF electronics company and the Lafarge Coppée building materials group yesterday reported reduced interim sales.

France is still in stronger shape than many of its European trading partners, notably the UK and Italy, but the economy has slowed over the past year reflecting the impact of high interest rates on industrial investment and consumer spending. The CAC 40 Index – down sharply this week – yesterday slipped by a further 0.44 per cent to close at 1,722.

Suez, with extensive investments in French finance and industry, said sales fell from FFr97.16bn ($19.47bn) in the first half of 1991 to FFr87.16bn in the same period this year. The fall is partly due to Suez' ongoing disposal programme, but comparable sales sales fell by 0.6 per cent.

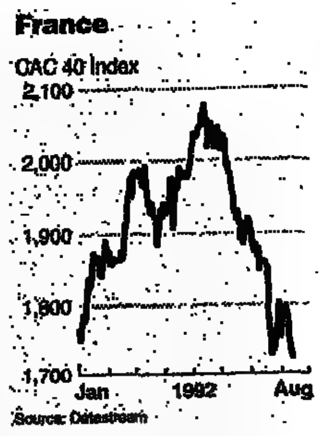
Thomson-CSF, recently clouded by controversy over the government's plans to create a French electronics supergroup, saw first-half sales slide from FFr16.5bn to FFr14.76bn. However, the company detected an improvement in trading during the second quarter.

Other large French groups fared better. Elf-Aquitaine, the energy concern, mustered a 6.6 per cent increase in sales to FFr98.86bn in the first half. Michelin, the tyre maker which has been rationalising its interests to try to return to profit, also increased sales ahead of inflation with a 5.4 per cent rise to FFr34.8bn.

In the financial sector, Crédit Local de France, one of the larger banks, reported a 22.5 per cent rise in turnover to FFr20.87bn. Two of the biggest insurers, Assurances Générales de France and GAN, also announced sales increases of 10.4 per cent to FFr29.92bn and 12.3 per cent to FFr21.75bn respectively.

By contrast, a series of lacklustre sales figures from the construction industry, illustrated the sluggishness of that area of the economy. Bouygues, the world's biggest building group, saw sales rise below inflation at 1.5 per cent to FFr30.43bn in the first half. Lafarge Coppée's interim turnover fell by 1 per cent to FFr15.06bn.

Poliet, another leading player in construction, mustered a meagre 0.5 per cent sales rise to FFr9.91bn. Fougerolle reported a sharp increase in first-half turnover from FFr5.65bn to FFr19.24bn, but this increase was solely due to its takeover of SAE. On a comparable basis Fougerolle's interim sales fell from FFr19.56bn to FFr19.24bn.



Source: Datastream

Meanwhile, one of France's most colourful corporate figures, Mr Bernard Tapie, reported a 14.7 per cent fall in first-half turnover from FFr6.63bn to FFr5.65bn for Bernard Tapie Finance. BTF has since sold almost all its businesses. Mr Tapie plans to use his FFr1bn profit from the sales to buy new businesses.

Luxury goods groups fight to hold sales

By Alice Rawsthorn

FRANCE's prestigious drinks and cosmetics companies fought to maintain sales in a volatile market during the first half of this year, according to interim turnover figures announced yesterday.

L'Oréal, the world's biggest cosmetics company, saw sales rise by 10.4 per cent to FFr19.93bn ($4.02bn) in the first six months of the year from FFr18.05bn during the same period of 1991.

The group, which has a wide spread of cosmetics interests across the market, countered the weakness in the luxury sector with a recovery in duty free sales after the disruption caused by the Gulf War in the opening months of last year.

Clarins, another force in French cosmetics, mustered an 18 per cent increase in first half sales from FFr878m to FFr1.03bn thanks to continued growth in its international markets.

The revival in duty-free sales also benefited LVMH, one of the largest forces in luxury goods worldwide, which reported a modest 4.5 per cent increase in sales to FFr9.68bn for the first half.

Perfume sales showed stronger growth of 24 per cent to FFr2.54bn, fuelled by the duty free recovery and the launch of Dune and Amarige. There was a 6.7 per cent fall in drinks turnover to FFr4.44bn chiefly due to depressed champagne sales.

Two other leading French drinks groups, Pernod-Ricard and Remy-Cointreau, reported reduced turnover for the early part of the year.

Pernod's interim sales slipped by 3.5 per cent to FFr6.88bn, although the fall was mainly due to the sale of Société des Vins de France. Remy's first-quarter sales fell from FFr1.16bn to FFr1.04bn.

Taittinger, the champagne maker, managed to increase interim sales by 38 per cent to FFr2.2bn despite the difficulties of the champagne market.

Sales improve at Georg Fischer

By Ian Rodger in Zurich

GEORG FISCHER, the Swiss foundries and engineering group, said sales rose 7 per cent in the first half to SFr1.28bn ($969m), with foundries, piping systems and machine tools all contributing to the growth.

The board forecast that the profit for the full year would be higher than that of 1991 provided there was no further deterioration in the economy.

Orders on hand at mid-year amounted to SFr1.02bn, down 19 per cent since the end of last year mainly due to the closure of the Schaffhausen steel foundry.

Sales of the foundry division in the first half were ahead of budget at SFr520m, up 9 per cent on the same period of last year. Sales of automotive castings benefited from relatively heavy demand from the German motor industry.

Piping systems sales gained 10 per cent to SFr326m, with substantial growth in demand for plastic and automation products. Manufacturing technology sales rose 25 per cent to SFr209m, but orders for flexible machining systems declined because of the weak investment goods market.

The plant engineering and construction division was also affected by the weak capital goods market, but large orders for environmental protection equipment were received.

Norwegian bank returns to black

By Karen Fossli in Oslo

SPAREBANKEN NOR, Norway's biggest savings bank known internationally as Union Bank of Norway, reported yesterday that it had returned to profit in the first half, helped by a reduction in operating costs and improved income.

Operating profit in the first six months was NKr3m compared with a NKr284m ($49m) operating loss in the same period last year. Operating profit, before credit losses, rose to NKr658m, or 1.58 per cent of average assets, from NKr406m, as credit losses dipped to NKr643m from NKr689m.

The bank said that calculated on an annual basis, credit losses represent 1.85 per cent of gross loans which were put at NKr75.06bn, a NKr13.6bn increase over the same period last year. For the whole of 1991 credit losses comprised 2.2 per cent of gross loans. Net interest income was up to NKr1.34bn from NKr1.29bn.

Sparebanken Nor said operating costs were cut to NKr1.19bn from NKr1.35bn and that staff had been reduced by 9 per cent this year. "Work with further staff and cost reductions continues," it said.

Half-year profits at Glynwed increase 48%

By Paul Cheeseright, Midlands Correspondent

GLYNWED International, the diversified UK engineering group, yesterday reported a sharp increase in half-year pre-tax profits and a clear indication that dividends will not be cut.

The result contrasted with the trend of lower earnings among other industrial groups in the West Midlands.

Glynwed's share price rose 13p to 196p on the results, valuing the group at more than £400m.

Glynwed's pre-tax profits of £15.4m in the first six months of 1992 were 48 per cent higher than in the 1991 first half. This translated into earnings per share of 4.96p, compared with 3.65p at this time last year.

The rise in Glynwed's fortunes owed more to cost-cutting and reductions in its interest charges than to demand for its products in recession-hit Britain, where it does 70 per cent of its business.

The stock market had feared that Glynwed would cut its interim dividend. In fact, for the fourth successive year, Glynwed held it at 4.15p.

Mr Gareth Davies, chairman, said Glynwed would earn enough this year not to have to follow last year's experience of dipping into reserves to keep up payments to shareholders.

"We should be able to cover the dividend," said Mr Davies. This implied that, again as in the past three years, the final dividend would be 11.65p. He said that in order to cover the dividend, Glynwed would need to earn £36m in annual pre-tax profits. "Profits will be well ahead of those for 1991," he added.

However, output of Glynwed's consumer and building products, its plastics, copper tubing, engineering steels and metals services were at best flat and sometimes lower than in the 1991 first half.

"We have no expectation of anything other than slow recovery," said Mr Davies.

Turnover during the 1992 first half, at £456.5m, was £47.5m less than in the same period last year, although that is partly explained by the sale of three businesses.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

½ hour period ending	Provisional Price for Trading on 14.08.92: Pool purchase price £/MWh	Final Prices for Trading on 11.8.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17 76	21 76	22.83
0100	17 70	19 81	20.81
0130	17.70	19 81	20.80
0200	17 69	19.81	20.80
0230	17 69	19.81	20.80
0300	17 69	19.81	20.80
0330	17.69	19 81	20 81
0400	17.69	19.81	20.81
0430	17 69	19.81	20.81
0500	17 69	19.81	20.80
0530	17.71	17 75	17 75
0600	17.70	17.75	17.75
0630	20.45	20 08	21 10
0700	20.35	21.81	22.91
0730	24.47	22 92	24 02
0800	24 71	25.11	26.26
0830	26.34	26 45	27 63
0900	28.01	28.27	29 53
0930	28.03	28.47	29 75
1000	28 03	28 60	29 87
1030	28.03	28.61	29 88
1100	28 02	28.62	29.87
1130	28.04	28 68	29.94
1200	28 04	28.72	30.00
1230	28.04	28 59	29.84
1300	28 03	28.36	29.55
1330	28.00	28.12	29 28
1400	28 00	28 02	29.16
1430	26 34	26.37	27 45
1500	26.18	26.09	27 17
1530	26.16	25.71	26.78
1600	28.00	25.70	26.78
1630	28.00	28.01	29 14
1700	25.05	28.01	29.13
1730	25 05	28.01	29.13
1800	25.05	28.00	29.14
1830	24.71	25.45	26.53
1900	24 38	24 68	25.75
1930	23.93	24.68	25.76
2000	23.93	24.24	25 32
2030	23.93	22.92	23.97
2100	24 17	22.92	23.97
2130	28.00	28.00	29 18
2200	28 00	28.00	29 16
2230	22.95	28.00	29.16
2300	22 90	28.00	29.19
2330	22 61	22.40	23.45
2400	22 61	21.81	22.86

Prices are determined for every half-hour in each twenty four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left eg £16.85/MWh becomes 1.685p/KWh. Provisions for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of such revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

NGC Settlements Limited 1992

Weak newspaper advertising dents Thomson profits

By Bernard Simon in Toronto

FIERCE competition in the UK travel market and continued weakness in North American newspaper advertising helped lower Thomson Corp's second-quarter earnings by 11 per cent.

The Canadian-controlled group, which is the UK's largest tour operator, reiterated it was "not prepared to concede market share" to its competitors in the travel market. Despite heavy discounting of brochure prices, Thomson said it had not cut back its summer holiday capacity.

Although Thomson Travel's sales climbed by 11 per cent in the second quarter, operating profits dipped to US$30m from $32m a year earlier.

The group as a whole reported a drop in second-quarter earnings to $70m, or 12 cents a share, from $79m, or 13 cents a share, a year earlier. Sales rose to $1.53bn from $1.4bn.

The fall was most pronounced at Thomson's North American newspapers, where operating profits fell to $54m from $64m on virtually unchanged sales. The company said prospects have receded of "an imminent economic recovery of sufficient strength to generate significantly higher revenue growth".

The UK regional newspaper business also remains weak, with the recession more than offsetting gains in circulation and expanded advertising market share.

Thomson Tour Operations' 1991/92 winter sales were 24 per cent higher than the previous year, and sales of summer 1992 holidays were "marginally ahead".

But the company said over-capacity, which it ascribed to its competitors "substantially over-estimating the size of the summer market", has resulted in prolonged price discounting.

By contrast, Lunn Poly, Thomson's travel shop subsidiary, posted a substantial profits increase in the first half of the year. It expects to open 80 new outlets this year.

Second-quarter loss for Equitable Life parent

By Patrick Harverson in New York

EQUITABLE Companies, the parent group of Equitable Life, the fifth largest life insurer in the US, yesterday reported a second-quarter after-tax loss of $17.6m in the wake of heavy losses from real estate investments.

The result, however, was still a considerable improvement on the $212.6m loss incurred at the same stage of 1991.

Yesterday's results cover the period before Equitable was transformed from a mutual to a stock company by last month's $392m stock-market flotation. The group had to take an extraordinary $25.9m charge to cover the cost of the demutualisation, which meant the final net loss for Equitable in the second quarter was $43.5m.

The primary factors in the losses on Equitable's insurance investment portfolio were additions to valuation allowances and write-downs in publicly traded securities, which over the past six months have totalled $131.7m, although they were partly offset by investment gains of $61.8m.

The bulk of the investment losses was for valuation allowances set aside for mortgages. Equitable said problem commercial property mortgages at June 30 represented 7.5 per cent of the commercial portfolio, up from 4.4 per cent at the end of 1991.

After the write-downs and additions to valuations, Equitable's insurance units produced an after-tax loss of $43.7m in the April-to-June period, compared with the $218.5m loss incurred in the second quarter of 1991.

The company, however, believes the insurance operations are regaining their footing after a difficult 1991. New individual premiums and deposits were up on a year ago, and surrenders and withdrawals of individual insurance and annuities were down.

Equitable's investment businesses segment, which includes the brokerage firm Donaldson Lufkin & Jenrette and asset management companies, put in a strong second-quarter performance.

They contributed after-tax profits of $48.9m, almost double the contribution of a year ago. DLJ was the star performer, thanks to market share gains in the underwriting business, which led to higher commission and fee income.

Investors were slightly disappointed with Equitable's results, and the company's share price was marked down $⅛ to $8⅛.

TVB lifts interim payout

By Simon Holberton in Hong Kong

TELEVISION Broadcasters, Hong Kong's leading television company, yesterday reported an 82 per cent rise in net profits to HK$128.3m in the first half to June, from HK$70.5m a year earlier.

TVB's profits were struck on a 17 per cent increase in turnover to HK$803.5m from HK$684.8m. An interim dividend of 12.5 cents a share has been declared, up 12.5 per cent on last year's interim of 10 cents.

Sir Run Run Shaw, executive chairman, said the results were very encouraging. They were attributable to cost cutting and improvements in production efficiency, he said.

Although the government has liberalised the market for cable and satellite broadcasting, Sir Run Run said development the management believes the prospects for TVB remain positive.

Sir Run Sun and his family control 34.6 per cent of TVB while the family of Mr Robert Kuok, Malaysian financier, controls 33.7 per cent.

McDonnell Douglas maps out flight path for 1990s

Nikki Tait looks at the company's progress and restructuring plans and puts them into perspective

John McDonnell, chairman of McDonnell Douglas, could not be accused of false modesty. "When the going gets tough," began his message to shareholders in the company's latest annual report, "the tough get going . . . It is an apt description of our position."

No one questions the difficulties which are being faced by America's number one defence contractor and the world's third largest commercial airline builder.

In the aftermath of the cold war, US defence spending is falling at a rate of more than 5 per cent a year, and government business still accounts for more than half McDonnell Douglas' sales.

On the airline side, the company ranks behind Boeing of the US and Europe's Airbus, two strong competitors. This market, too, is likely to be difficult until the mid-1990s: major airlines, having ordered new aircraft with heady enthusiasm in the late-1980s, are scaling back in the recession-hit 1990s.

Moreover, stretched financially, McDonnell Douglas needs wealthy partners if it is to develop its jet operations – in particular, the new and much-trumpeted MD-12 jumbo. Negotiations, notably with Taiwan Aerospace, have so far come to nothing.

But what is moot is whether this week's announcement of a major restructuring in McDonnell's military/government operations signals that the company is turning a corner – as the same annual report's cover so proudly boasts.

For once, Wall Street, which has not been kind to the company of late, seems favourably impressed. Since Monday, the shares have gained over $6, an 18 per cent advance.

Several analysts have raised their 1992 profit forecasts, and a number of brokerage houses now rank the shares a "buy". Given that the stock is still trading at half its level a year ago, this is not a major endorsement. But it is a small step in the right direction.

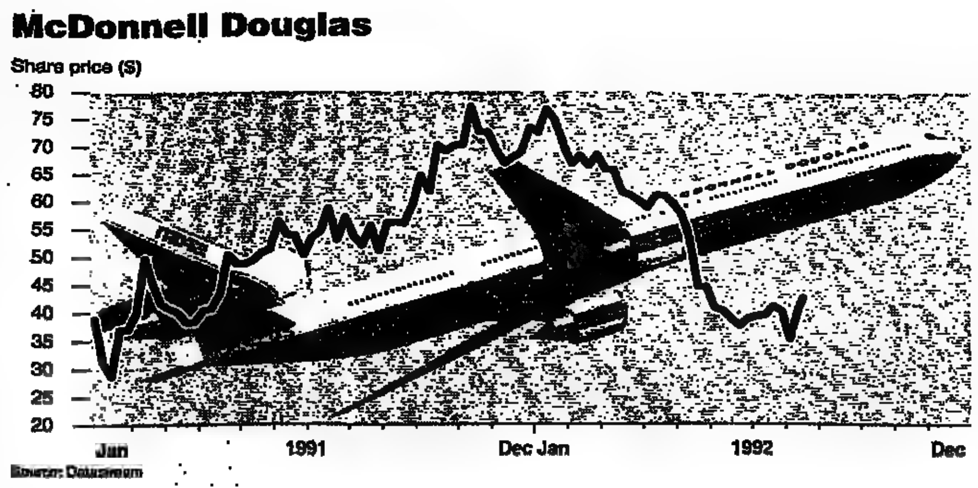
Details of the restructuring remain opaque. Broadly, the company plans to divide the six businesses geographically, into two divisions.

One, based on the west coast, will take in the space-related projects, electronic systems and the C-17 military transport programme. The other, centred in St Louis, Missouri, will incorporate the missile, combat aircraft and helicopter operations.

The mechanics of this reorganisation will be worked out over the next three months by a newly-created "office of the chairman", comprising five senior executives. In the meantime, McDonnell Douglas declines to speculate on the potential cost-savings.

But it does acknowledge that jobs will go, as duplicate administrative functions, like personnel, are rationalised. On the manufacturing front, at least one plant – making aircraft parts in Columbus, Ohio – will close next year. It employs 1,000 people.

McDonnell Douglas



Source: Datastream

The aim is to find either a buyer or a joint venture partner for the helicopter business, which has annual sales of about $750m. That, suggests one analyst, could bring in approximately $500m if the first course is pursued.

For some observers, it is the implied culture change – rather than the numbers alone – which is providing the encouragement.

News of job cuts and retrenchment are nothing new at McDonnell Douglas: only last month, for example, it told employees that up to 5,000 positions could be axed in the commercial aviation division by the end of the year.

But Mr John McDonnell's statement this week suggested a commitment to only those businesses where McDonnell is, or could become, a market leader – that is, number one or two worldwide. This, say the bulls, could herald a more focused approach.

"We view it as a positive development," commented Tassos Philippakos, vice-president at Moody's Investors Service, the Wall Street rating agency.

"It's a shift in emphasis on to the bottom line and the financial side, rather than assertions that McDonnell Douglas is the leading defence contractor and a big commercial airline manufacturer".

"Obviously, a culture change has more long-term implications than just a drastic reduction in the head count."

But if Monday's news was generally viewed as a step in the right direction, the downside is that all questions overhanging the commercial airline operations remain unanswered.

For months, analysts have been sceptical about the company's ability to proceed with the MD-12 programme. "The wrong airplane at the wrong time and the wrong price," ran one recent circular.

However, without the MD-12, there are fears that the company will continue to cede ground to Airbus and Boeing, with their wider range of products, and its market share will dwindle inexorably.

Under this week's reorganisation plans, the commercial aircraft operations would appear to become even more segregated.

That, in turn, has prompted renewed speculation that McDonnell Douglas will quit the business altogether, either by selling or phasing out its operations. The Missouri company, however, publicly reaffirmed its commitment.

And it is worth putting Wall Street's response to the week's news into perspective. After all, McDonnell shares have been sitting on a extremely low rating, back at levels seen two years ago, and way below the company's book value of $105 a share.

The stock, moreover, fell heavily when second-quarter earnings showed a 51 per cent dive, to $38m, earlier this month.

In short, if this is progress, it comes against a very unprogressive background.

Share issue by Zenith Electronics

By Barbara Durr in Chicago

ZENITH Electronics, the troubled US television maker, has unveiled a new financing plan that may help steady the company following several years of debilitating losses.

Zenith has been hit by losses in consumer electronics and investments in new technologies, such as high definition television.

The financing plan includes a public offering of 8m shares of common stock, which will raise approximately $55m at the current share price, and a new three-year $80m working capital loan from the Bank of New York.

The new credit facility will replace its existing agreement, which expires at the end of the year.

In a filing with the Securities and Exchange Commission, Zenith said of the 8m shares to be sold, 1.2m would be offered outside the US. The company has 29.3m shares outstanding.

It also said the underwriters will have the option to issue up to 1.2m more shares on the same terms to cover over-allotments.

Salomon Brothers and The First Boston Corporation were named as managers of the underwriting group.

The proceeds from the stock sale may be used to redeem some or all of the company's outstanding notes, and repay other debt for its working capital facility as well as research and development expenses.

Although Zenith privately sold about 5 per cent of its shares to South Korea's Lucky Gold Star group last year, it has not sold shares to the public since July 1987.

Digital in Hughes TV deal

By Raymond Snoddy in Los Angeles

HUGHES Aircraft is pushing ahead with a revolutionary satellite television project designed to offer more than 150 TV channels all over the US by the beginning of 1994.

Hughes, the aircraft and communications division of General Motors, has already committed $500m to the project and the first of three satellites is scheduled for launch next year.

The Hughes subsidiary involved, DirecTv, yesterday announced the latest stage for the venture – a deal with Digital Equipment of the US to operate the national computerised billing system for the project. Network Computing Corporation will provide the software.

Mr Eddy Hartenstein, DirecTv president, estimates the US company could be reaching 10m homes by the end of the decade.

Earlier this year Thomson Consumer Electronics was given an exclusive deal under which it will produce the first 1m satellite receivers, expected to retail at around $700.

The scrambling equipment for the service will be provided by News Datacom, a subsidiary of Mr Rupert Murdoch's News Corporation.

No less than 40-50 channels will be devoted to a pay-per-view movie service with showing of popular films starting every 30 minutes.

A second major slice of the system will carry subscription sports - all the games not carried on national television.

DirecTv will also deliver 20 channels of cable television to rural areas unlikely to get their own cable networks in the foreseeable future.

A fourth strand of programmes will be aimed at special interest groups or ethnic minorities.

Palabora Mining down 10% at halfway stage

By Philip Gawith in Johannesburg

LOWER copper prices and reduced sales of zirconium products accounted for a 10 per cent fall in profits at Palabora Mining, the South African copper producer, in the six months to the end of June.

Although operating costs rose by only 6.7 per cent, well below inflation, turnover dropped to R534.4m ($193.6m) from R557.6m a year earlier. Operating profits fell to R201.6m from R245.8m while net profits dropped to R106.2m from R118m.

Mr Frank Fenwick, managing director, said copper sold, including metal in concentrates, advanced to 69,569 tonnes from 68,147 tonnes. About 85 per cent of the copper was sold in the form of cathode and rod, with the remainder as concentrates.

Production levels were expected to be maintained in the second half, and forward markets suggested prices would be reasonably firm.

The interim dividend, meanwhile, is being maintained at 110 cents a share on earnings of 346 cents a share compared with 417 cents a year earlier.

Higher half year results for the GAP

By Nikki Tait in New York

The Gap, one of the most respected specialty retailers in US, yesterday reported a 10.2 per cent improvement in second-quarter profits, to $37.7m after tax.

The rise is scored on sales up from $523.1m to $614.1m, with the San Francisco-based company's same-store sales improved by about 5 per cent. This is a slower rate of growth than in the second quarter of 1991, when same-store sales increased by 11 per cent.

However, given the "difficult economic climate", The Gap's chairman, Mr Donald Fisher expressed satisfaction at the figures.

The second-quarter earnings total takes profits after tax for the first six months of 1992, to August 1, to $83m, compared with $75.1m a year earlier. Sales were $1.2bn, against $1.01bn last time.

Northrop sees $152m third-quarter provision

By Our Financial Staff

NORTHROP, the US defence contractor which is heavily dependent on the B-2 Stealth bomber programme, warned yesterday it expects to make a $152m provision related to its cruise missile programme in the third quarter.

The company said the charge reflected the estimated financial impact of its proposal to extend the schedule to complete the flight test programme of the Tri-Service Standoff Attack Missile.

The provision will cut third-quarter earnings by around $100m or $2.13 a share, and is being taken after discussion with the US Air Force this month.

Northrop claims the provision should be sufficient to complete the development programme, but added the possibility of future provisions remained until the contract is finished. The missile programme was awarded before Northrop stopped accepting fixed-price development contracts in 1988.

Downturn at Laurentian

By Robert Gibbens in Montreal

LAURENTIAN Group, the eastern Canada financial services group, minority-held by France's La Victoire, reported lower second-quarter earnings because of the weak economies in Canada and Britain.

Earnings fell to C$6.3m (US$5.3m) or 10 cents a share, from C$7.7m, or 13 cents, a year earlier.

The British life insurance unit had lower sales. Loan loss provisions were higher in Canada but the property and casualty insurance unit recorded better results.

First-half net profits were down to C$14.3m or 23 cents from C$15.3m, or 26 cents, a year earlier on revenues up 3 per cent at C$1.4bn.

● Donohue, a newsprint producer controlled by Quebecor, reported asecond-quarter loss of C$3m or 10 cents, against a loss of C$3.8m or 12 cents a year earlier, on sales of C$140m, compared with C$125m.

INTERNATIONAL CAPITAL MARKETS

Issues suffer as Moody's downgrades Italy's rating

By Tracy Corrigan and Sara Webb

AFTER months of poor performance, Italian government bonds and Eurobonds were dealt a further blow yesterday, when Moody's downgraded Italy's foreign debt rating from Aa1 to Aa3.

Italian bond prices have followed a downward spiral since Denmark's rejection of the Maastricht treaty on European monetary union in June, which re-awakened worries about Italy's ability to tackle economic difficulties, possibly without the constraints of tough economic targets.

Since the Danish vote, the 10-year Italian bond future on Liffe has fallen from 98.29 to 92.45 at yesterday's close. The Liffe contract shed a further half point on news of the downgrade.

Italy's Eurobonds, once the most actively traded in the market, have been suffering from widening spreads and declining liquidity.

Italy's 20-year Ecu Eurobonds, which prior to the Danish referendum traded at a spread of 25 basis points above the French 20-year Ecu OAT, are quoted at a spread of 80 points, having widened a further five basis points yesterday.

In the dollar sector, Italy's 8¾ per cent Eurobonds due 2001 widened from 43 basis points over the new 10-year US Treasury yield to 48 basis points yesterday.

Dealers noted that any further downgrade, taking Italy's rating to single-A, would have a dramatic effect. Many investors cannot hold bonds rated lower than single-A.

"A lot of central banks hold Italian Eurobonds. Even if they don't start lightening up, they certainly will not be buying any paper," a dealer said.

One government bond trader pointed out that Spain and Finland both have better ratings than Italy. "This is very important for a country like Italy which claims to be the fifth largest economy in the world – we expect that investors will now be more attracted to Spain than Italy."

Italy has not tapped the international bond market in over a year, relying instead on its domestic bond market.

Its $21bn of foreign debt had been placed under review for possible downgrade in June – following the Danish referendum – having lost its prized triple-A rating a year earlier. The debt has an implied rating of double-A plus from Standard & Poor's, the other leading rating agency.

The latest downgrade reflects the prospects for only a gradual reversal in the weakened state of public finances, and political uncertainty over European unification, as well as the "fluidity" of domestic politics.

However, Moody's described the steps taken by the new government, for example, to lower the budget deficit and stabilise the debt/gross domestic product ratio, as positive.

As a result of the downgrade, the foreign debt ratings of Enel, Cariplo, Istito Mobiliare Italiano, Credito Italiano and Mote dei Paschi di Siena have also been lowered to Aa3.

Finnish bank offers maximum FM950m convertible bond

By Robert Taylor in Stockholm

THE Union Bank of Finland (Unitas) yesterday issued a maximum FM950m offering of convertible bonds, in order to strengthen its capital base.

Mr Vesa Vainio, the bank's president said the additional capital would strengthen the bank's lending ability by FM10bn.

"The issue will give investors a good yield but will also be profitable for Unitas since this will be equity-ranked capital," he explained. The issue has a maturity of 50 years.

The bank's share capital may increase as a result of the conversion of bonds by a maximum of FM285m.

Each bond with a nominal value of FM10,000 may be converted into 300 A shares each with a nominal value of FM10. The conversion right comes into force on January 4 next year. The subscription period will be from August 17-28.

Yesterday the bank said it would report a substantially larger loss in its results for 1992 than the FM128m deficit of last year.

"The banking sector's problems will continue at least throughout next year and possibly longer," said Mr Ahti Hirvonen, Unitas chief executive. "Credit write-offs are likely to increase in relative terms towards the end of this year."

However, he pointed to a number of positive factors for the bank. Its capital adequacy ratio has risen to 10.7 per cent as risk-weighted assets have declined while its core capital ratio is 7.4 per cent.

Mr Hirvonen added that the group's structural reorganisation announced at the end of June was going ahead as planned.

Spanish rally on better inflation figures

By Sara Webb in London and Patrick Harverson in New York

SPANISH government bonds rallied on news of better-than-expected inflation figures and indications that the government will start issuing short-dated paper next month.

GOVERNMENT BONDS

The CPI rose 0.3 per cent in July and by 5.2 per cent year-on-year, well below expectations. The 10-year government bond opened with a yield of 12.24 per cent and ended the day at 13.12 per cent.

In Portugal, news that the central bank will lift all controls on capital movements by the end of 1992 was seen as giving encouragement to the Portuguese debt market.

The Bank of Portugal said all remaining limits on capital movements would be lifted in three steps between August 31 and December 31. It said non-resident investors would be allowed to resume trading in floating interest rate bonds (FIPs) from October 31. Foreigners invested heavily in FIPs, which carried coupon rates of over 19 per cent at the time the central bank banned non-residents from buying them on July 5 1991.

■ AUSTRALIAN government bonds continued to tumble yesterday due to the combination of the Australian dollar's weakness, concern about the Budget on August 18, and disappointment that interest rates are unlikely to be cut further.

Turnover on the Sydney Futures Exchange reached a record level at 213,000 contracts, including a record 47,000 lots of the 10-year bond futures contract and a near-record of 63,000 lots of the three-year bond futures contract.

The 10-year bond future fell from 91.64 at the opening to a low of 91.42 before recovering to trade at 91.58 in London time. In the cash market, the 10 per cent October 2002 bond ended the day yielding 8.51 per cent, against 8.36 per cent at Wednesday's close.

Mr John Dawkins, the treasurer, indicated on Wednesday that interest rates would not be cut further, news which depressed bond prices.

■ AMID a mixed bag of economic reports, US Treasury prices held their ground yesterday morning as investors traded cautiously ahead of the afternoon bond auction.

By midday, the benchmark 30-year government bond was down 1/32 at 108 1/32, yielding 7.321 per cent. In contrast, the two-year note was slightly higher at mid-session, up 1/32 at 100 1/32, to carry a yield of 4.115 per cent.

Bond market sentiment was buoyed by the 0.1 per cent rise in July consumer prices, while the bigger-than-expected 0.5 per cent gain in last month's retail sales was offset by the downward revision in the June sales data to show a 0.3 per cent fall.

The only other influence on the market yesterday was the afternoon sale of $10bn in 30-year bonds, which most analysts expected to go well.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	110.2355	-1.299	8.48	8.27	8.89
BELGIUM		8.750	06/02	98.1500	-0.160	9.04	9.03	8.83
CANADA *		8.500	04/02	109.4000	+0.000	7.13	7.44	7.92
DENMARK		9.000	11/00	96.9700	-0.100	9.63	9.45	9.09
FRANCE	BTAN	8.500	03/97	96.5983	+0.001	9.42	9.36	9.19
	OAT	8.500	11/02	96.3400	+0.130	9.04	8.97	8.79
GERMANY		8.000	07/02	99.2750	-0.395	8.11	8.07	7.97
ITALY		12.000	05/02	92.9250	-0.650	13.75†	13.46	13.42
JAPAN	No 119	4.800	06/99	99.3212	+0.408	4.93	5.11	5.37
	No 129	6.400	03/00	106.2788	+0.116	4.91	5.01	5.17
NETHERLANDS		8.250	09/02	98.8950	-0.110	8.41	8.40	8.30
SPAIN		10.300	06/02	89.7500	+0.650	12.12	12.00	11.57
UK GILTS		10.000	11/96	101-10	-4/32	9.60	9.61	9.23
		9.750	08/02	102-08	-8/32	9.39	9.30	9.04
		9.000	10/08	95-30	-4/32	9.13	9.08	8.82
US TREASURY *		7.500	05/02	107-01	-4/32	6.51	6.62	5.98
		8.000	11/21	105-02	-2/32	7.33	7.45	7.69
ECU (French Govt)		8.500	03/02	94.1000	+0.050	9.45	9.45	9.01

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

■ HOPES of a cut in interest rates helped to buoy Japanese government bonds. Although dealers noted some selling of 10-year bonds early in the day, they said prices picked up later as investors bought at the lower levels. The yield on the benchmark No 129 JGB opened at 4.92 per cent and closed at 4.90 per cent.

Speculation that the Bank of Japan might lower bank reserve ratios helped to lift bond prices. The weakness in the stock market has led to hopes of a further easing in rates by the Bank of Japan.

■ UK government bond prices slipped back on sterling weakness and funding concerns in spite of the release of favourable economic news.

The Liffe gilt futures contract fell from 96.13 to 96.09, while the 11¾ per cent gilt due 2003-07 dropped 5/32 to 114 1/32. The fall in prices was held in check by good average earnings figures which showed a fall from 6.25 per cent in May to 6.0 per cent in June.

■ SCANDINAVIA'S government bond markets suffered sharp price falls with political uncertainty hitting the Danish market while funding concerns helped to push up Swedish bond yields.

The Danish 8 per cent bond due 2003 dropped from 90.50 to 89.80 on fears that a general election could be called shortly, but the bond market later recouped its losses to close little changed on the day.

The Swedish 10¼ per cent bond due 2003 opened with a yield of 10.15 per cent, and ended the day yielding 10.37 per cent.

Demand holds up for floating-rate notes

By Tracy Corrigan

A FURTHER offering of subordinated floating-rate notes with minimum and maximum coupon levels brought the total amount of "collared" floaters in the past two weeks to about $2bn, confounding dealers' predictions of limited demand.

INTERNATIONAL BONDS

The latest deal was a $100m offering of 10-year notes by De Nationale Investeringsbank, the 50 per cent Dutch government-owned investment bank. The notes pay interest of ⅛ point below the London interbank offered rate, with a minimum coupon of 5⅛ per cent and a maximum coupon of 10 per cent. The deal was arranged by Morgan Stanley International.

Demand continues to be concentrated among Swiss retail and small institutional investors, with an appetite for dollar paper yielding more than current money market rates.

Elsewhere, Aegon, the Dutch insurance company, launched a Fl 500m offering of subordinated floating-rate notes via ABN Amro. The notes pay interest at the six-month Amsterdam interbank offered rate for the first two years, then pay a fixed coupon of 8¼ per cent for the rest of the life of the issue, which matures in 2004.

● BRITISH GAS yesterday lost its triple-A debt rating from Moody's, when its £3.6bn of long-term debt was downgraded to Aa2 by Moody's. It had been under review for possible downgrade since May.

The move follows a similar action last week by Standard & Poor's, the other leading US agency, which cut the company's rating to double-A plus.

The agency cited the company's changing structure, as it invests in exploration and production, increasing competition in the UK, and regulatory constraints.

Boston bank sale exceeds plans

BANK OF Boston said that it had sold 9m Series E Preferred shares – 3.2m more than the 6m preferred shares it originally planned to offer, Reuter reports from Boston.

The bank which raised $223m in net proceeds from the offering, said the underwriting group, led by Merrill Lynch, exercised their right to purchase the maximum over-allotment of 1.2m shares.

The offering would raise the bank's capital ratios by about 0.75 per cent, bringing the pro forma Tier I and total capital ratios to 6.7 and 11 per cent respectively, the bank said.

BIS review suggests sparse credit creation

By Richard Waters

THE international bond markets will have to work hard to refinance the record volumes of bonds maturing by the end of next year, suggesting that relatively little credit will be created, according to the Bank for International Settlements.

In its latest review of the international financial markets, BIS reports that the scale of bonds being repaid in the first quarter of this year, at $57bn, was unprecedented. As a result, in spite of the large number of bonds being issued – only exceeded once before – the net new finance created through the bond markets was "comparatively small".

Bond redemptions will remain large, with a further $135bn due to repay by the end of the year and a further $260bn due in 1993. About a third of the repayments relates to equity-linked instruments launched by Japanese borrowers in the late 1980s on the back of soaring stock prices.

Even taking into account the high level of bond redemptions, the securities markets have still been in the unusual position of generating considerably more new credit than the international banking system. According to the BIS figures, the bond markets created a net $150bn in the year to the end of March, compared with just $55bn of net new international bank credit.

This reverses the position of previous years. In the year to March 1991, for example, bond markets generated a net $143bn, while banks supplied $405bn of new credit.

International Banking and Financial Market Developments, August 1992. BIS, Basle

● Consob, Italy's stock market watchdog said securities houses and brokers not signed on to the Milan stock market's monthly settlement system won't be allowed to trade on the bourse's computer starting today, AP-DJ reports.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.55 pm on August 13

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	66	9
Other Fixed Interest	0	4	11
Commercial, Industrial	250	271	915
Financial & Property	91	183	525
Oil & Gas	10	25	51
Plantations	0	0	9
Mines	5	79	65
Others	26	59	46
Totals	382	687	1,631

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. ¶ Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ‡ Units comprising 1 Ord. and 1 Zero Div. Pref. share. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

● First Dealings Aug. 3
● Last Dealings Aug 14
● Last Declarations Oct. 29
● For settlement Nov. 9

3-month call rate indications are also shown on this page.

Call in Medeva. Put in Medeva. Doubles (Puts and calls) in AMEC, BET, Pentos and Tarmac.

LIFFE EQUITY OPTIONS

[illegible]

13 August Total Contracts 25,993
Calls [illegible] Puts 10,106
FT-SE Index Calls 8,128 Puts 5,209
Euro FT-SE Calls 1,118 Puts 1,071
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	40	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

COMPANY NEWS: UK

Warm weather hits Johnson Cleaners

By Peggy Hollinger

WARM WEATHER and recession combined to depress interim profits at Johnson Group Cleaners, the dry cleaner and textile group, which reported a 4 per cent fall to £7.91m pre-tax.

In a characteristically cautious statement, Mr Terry Greer, chairman, said he expected recessionary conditions in both the US and UK to continue "for at least the remainder of this year".

Nevertheless, the interim dividend is maintained at 7p for the third consecutive year.

Mr Greer added that one of the priorities during recession had been to protect the balance sheet. Controlled capital spending helped cut interest charges by 36 per cent to £999,000. Gearing was slightly lower than the 39 per cent recorded at the year-end.

Dry cleaning in both the US and UK continued to be depressed, with a similar effect on margins. As a result profits in this division had declined rather more than sales.

Textile rental, however, increased sales and profits in the first half. Mr Greer said the

Terry Greer: US proved harder than expected

rate of growth in textile rental was still increasing, albeit more slowly.

Losses in the US franchise division had depeened in the first six months. "It has been harder than we thought it would be in the US," said Mr Greer. "There is still no sign of a let-up in recession."

Overall sales fell from £77.4m to £74.8m, while operating profits declined 10 per cent to £8.56m. The pre-tax return included a £349,000 (£271,000) surplus on property sales.

Earnings per share, including the property surplus, fell from 25.42p to 24.95p.

COMMENT

For Terry Greer, the ideal summer's day is cold, cloudy and wet. Unfortunately the first half was warm and sunny. There are some things about which even Johnson's management can do nothing. In spite of the adverse climate, which hits Johnson as hard as recession according to Mr Greer, the company did well to keep the profits decline to a mere 4 per cent. The textile rentals division deserves much credit for squeezing business out of a market which has ravaged the likes of BET. It is not likely that Johnson will experience a sharper fall in the second half. Indeed, analysts expect the full year to be almost flat at £15.5m, compared with £16m. With a prospective multiple of about 12.5, Johnson could be one of the better shares in the sector to tuck away for the eventual upturn.

Blagden hits £6m thanks to all-round advance

By Peter Pearse

BLAGDEN Industries, the Hertfordshire-based packaging, chemicals and protective equipment group, bucked recessionary pressures in the six months to June 28 and lifted pre-tax profits by 11 per cent to £6m. Turnover rose from £109.7m to £118.1m.

Mr Cameron Smith, chief executive, said he was particularly pleased that profits improvements had been across the board and not simply led by one division.

In packaging, the core business, international operating profits rose to £4.58m (£4.47m) on turnover up at £62m (£59.4m), while the UK side made £1.42m (£1.29m) on turnover of £20.8m (£20.5m). Volumes in the division increased 6 per cent in the half as prices were reduced.

Mr Smith said that, having made 85 per cent of profits a few years ago, the 45 gallon steel drum business now only accounted for 65 per cent. He said he was excited about the future of the new propellant for aerosols – compressed air, rather than flammable gases like butane, opted for after the CFC scare. In chemicals, "distribution was hammered by recession", but manufacturing accounted for the rise in profits from £1.6m to £2.14m on turnover of £25m (£23.3m).

Protective equipment sales grew to £10.2m (£6.56m). Mr Smith said: "Old companies made £500,000, new ones £300,000, minus £300,000 written off" in one-off obsolescence costs, where Blagden redesigned many of its ranges.

Because of the international weighting of its profits, Blagden had to write off £600,000 of advance corporation tax, against last time's £250,000, of which Mr Smith said: "With perfect hindsight, it should have been £500,000." This lifted the tax charge to 42.5 per cent (38 per cent).

Earnings were static at 7.3p per share and, because of the tax penalty, the interim dividend is held at 4.5p.

Japanese exposure hits F&C value

By Philip Coggan, Personal Finance Editor

AN UNSUCCESSFUL foray into the Japanese market hit net asset performance at Foreign & Colonial Investment Trust in the first half of 1992.

Net asset value per share at the UK's largest investment trust fell 1.7 per cent to 181.4p in the six months. Over the same period the FT-A All-Share Index rose 2.4 per cent.

In the period Foreign & Colonial withdrew money from equity and fixed interest markets in the UK, US and Europe in order to commit funds to Japan and Latin America. However, the Japanese Topix index dropped by 29.9 per cent over the period.

Mr Michael Hart, joint manager, said he was still looking for value in Japan. "When the tide turns and sentiment improves," he said, "the market could race away." However, he was nervous about the high ratings demanded by US equities and the high dollar earnings content of some European companies.

In the UK market he hoped for some recovery with the FT-SE 100 Index perhaps bouncing back to 2,500 by the end of the year.

At the end of June, the trust's asset mix was (in percentages): UK 43.9; Europe 16.9; North America 25.1; Japan 8.6; Far East 3.7; and Latin America 1.8.

Revenue was boosted by bond profits and the total reached £25.8m (£25.8m), with earnings coming out at 2.31p per share (2.19p).

The interim dividend is increased to 1.12p (1.07p) and the total is forecast at 3.35p (3.19p).

COMMENT

It is very much in Foreign & Colonial's nature to under perform in bear markets. Its philosophy is to gear up when share prices are depressed in order to benefit doubly when they rise again. Obviously it was premature in wading into the Japanese market but its bottom-fishing strategy has been so successful in the past – this year should see the 22nd consecutive rise in annual dividends – that it seems more than likely it will work again. With the number of shareholders – now 53,330 – steadily increasing, the discount to net asset value does not look excessive at about 10 per cent. The trust still seems one of the best ways for the private investor to have a stake in world equity markets.

Aegis restructuring proposals unpalatable says James Capel

By Angus Foster

RESTRUCTURING proposals announced last week by Aegis, the European media buyer, were yesterday criticised as "uniformly unpalatable" by James Capel, the broker.

Aegis, which last month saw the resignation of Mr Peter Scott as chairman, is planning a refinancing which will further increase the control of its two main shareholders, Mr Gilbert Gross and Warburg Pincus, the US investment bank. Mr Gross is still due deferred payments from Aegis after it bought his Carat business in France in 1988.

In a circular, prepared by its media research team, Capel argues that Mr Gross and certain associates are being allowed to lift their stake in Aegis when its share price is weak because of Mr Scott's resignation and uncertainty about a French government inquiry into media buying companies.

"Shareholders are seeing earnings per share sacrificed and their interests generally being unrepresented," the circular said.

Aegis rejected the criticism as unfair. "We are convinced the package is in the interests of all shareholders," it said.

The proposed refinancing will lift the stake held by Mr Gross and his associates, mainly group managers, from 28.8 per cent to 42.4 per cent, although they will only hold 33.8 per cent of the voting rights. Warburg Pincus will increase its share of voting rights from 14.8 per cent to 16.4 per cent.

The proposals need approval from 75 per cent of shareholders at an extraordinary meeting next month, where Mr Gross and his associates will not be able to vote.

Some UK institutions are unhappy because the company's share price has collapsed from 129p earlier this year to 39p yesterday. They are also concerned by Aegis's decision to shift its head office to Paris since this will free the company from London's takeover code.

NEWS DIGEST

Associated Fisheries ahead 86%

A STRONG performance by its cold storage and distribution companies helped Associated Fisheries, the fishing, food processing and transport group, to an 86 per cent increase in pre-tax profits for the six months to June 30.

On turnover ahead from £39.3m to £40.2m, profits were £1.33m (£714,000) after reduced interest charges of £579,000 (£726,000). Last time there was a £144,000 loss from associated activities.

Earnings per share worked through at 5.53p (2.9p) and the interim dividend is an unchanged 1p.

The company is ultimately owned by Camellia.

Tullow Oil in the black with I£2m

Tullow Oil, the USM-quoted oil and gas exploration and production company based in Dublin, reported a pre-tax profit of I£2.08m (£1.96m) for the half year to June 30. Last time there were losses of I£64,872.

Mr Thomas Toner, chairman, said it had been a successful six months in which $9.55m (£5m) had been generated in cash and phased payments through the partial sale of its Yemeni interests. He said the drilling programme, which would begin in September, would contain at least six wells over the next year.

Turnover amounted to I£562,156 (I£485,090) generating an operating profit of I£243,458 (I£205,546). Amortisation took I£321,962 (I£270,418). There was an exceptional gain of £2.15m.

Earnings per share worked through at 1.42p (0.04p losses).

Specialist Computer achieves £5.03m

Specialist Computer Holdings, a private computer sales and services company, improved turnover by some 7 per cent to £83.2m in the year to March 31. Pre-tax profits, however, fell from £5.3m to £5.03m.

Mr Peter Rigby, the chairman, thought that sales would improve in the current year although he expected the price of personal computers to fall by up to a further 20 per cent.

Cash reserves of about £5m were available for strategic acquisitions.

Newmarket Venture assets decline

In the six months to June 30 the net asset value per share of Newmarket Venture Capital fell from 60p to 56p, a 7 per cent decline.

The company has a portfolio of venture capital investments which are in the process of being realised.

Newmarket does not take realised gains on its successful investments into its profit and loss account, and does not normally expect to pay ordinary dividends.

Net assets lower at Kleinwort Overseas

The net asset value of Kleinwort Overseas Investment Trust was 180.4p per share at June 30, down from 194.1p 12 months earlier and 185.4p at the trust's year-end in December.

Attributable revenue for the six months to end-June amounted to £1.64m (£1.53m) equal to earnings of 2.04p (1.9p).

The interim dividend is maintained at 1.5p.

Batleys advances 19% to £8.33m

Batleys, the private Huddersfield-based chain of cash and carry wholesalers, reported a 19 per cent rise in pre-tax profits from £7m to £8.33m in the year to May 2.

Turnover advanced 7 per cent to £454.9m (£426m).

Profits included an exceptional credit this time of £876,000 relating to provisions against stock made in earlier years no longer needed.

Earnings per share were 35.54p (30.85p).

Sharp fall at North Mid Construction

North Midland Construction, the civil engineer, suffered a fall in pre-tax profits from £452,000 to £84,000 for the half year ended June 30. Turnover declined 24 per cent to £9.87m.

The company does not expect any improvement in the second six months.

The interim dividend is cut to 0.3p (0.5p) from earnings of 0.56p (3.01p).

Standard Platforms says 'worst over'

Although pre-tax losses at Standard Platforms Holdings rose from £584,000 to £847,000 in the year to March 31, Mr PJ Stevens, the chairman, believes "the worst is over".

This USM-traded group supplies computer hardware and software in the document image processing and archival storage market.

To help fund current work-in-progress there was to be a placing of shares to institutional holders of a maximum 5 per cent of the present capital.

Turnover came to £1.61m (£1.57m). Losses per share were 21.5p (23.1p).

Graig in £1.29m cash disposal

Graig Shipping has disposed of its Blue Book Securities subsidiary for a net £1.29m cash.

The principal asset of Blue Book, formerly known as Garth Shipping, was the MV Graiglas. This, together with the company's shipping business, was transferred to Graig prior to the disposal.

The disposal will now give Graig direct control over both of its ships.

CONTRACTS & TENDERS

LEGAL NOTICES

CAPITAL TOOL HIRE LIMITED
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986 that a Meeting of the Unsecured Creditors of the above-named company will be held at the offices at Robson Rhodes, 186 City Road, London EC1V 2NU on the 28th day of August 1992 at 11.00 o'clock in the forenoon, for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above no later than 1200 hours on the business day before the meeting written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and

(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Dated this 10th day of August 1992

V M Stanlow and I Jacob Joint Administrative Receivers.

Creditors may obtain a copy of the report, free of charge, on application to the Joint Administrative Receivers at the address above

THE INSOLVENCY ACT 1986
[illegible] LIMITED
Company No: 2483203
Trading as: Feu de Bois
Nature of Business: Restaurant Proprietors
Trade Classification: 49

NOTICE IS HEREBY GIVEN, pursuant to S46 (1) of the said Act, that on 3 August 1992, Jacqueline B Stephenson A C A and Peter S Dunn F C A of Latham Crossley & Davis 7 Kenrick Place London W1H 3FF were appointed Joint Administrative Receivers of the above company by The Bank of Scotland.

J B Stephenson A C A, Joint Administrative Receiver Office Holder Number 7245

Dated this 3rd day of August 1992

006370 of 1992
In the High Court of Justice
Chancery Division
Mr Justice Millett

IN THE MATTER OF HICKSON INTERNATIONAL PLC
- AND -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated the 20th July 1992 confirming the reduction of the Share Premium Account of the Company from £88,462,742.65 to £3,462,742.65 was registered by the Registrar of Companies on the 24th July 1992.

DATED the 11th day of August 1992

Slaughter and May, (JMPD)

35, Basinghall Street, London EC2V 5DB

Solicitors for the said Company

IN THE MATTER OF
BARRINGTON UPHOLSTERY LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis 7 Kenrick Place, London W1H 3FF was appointed Liquidator of the above Company by the Creditors on 4th August 1992.

Dated this 4th August 1992

Peter S Dunn FCA Liquidator

COMPANY NEWS: UK

Cowie raises bid terms for rival Henlys

By Maggie Urry

T COWIE, the motor trader, yesterday raised its bid for rival Henlys Group. The new, and final, terms are seven Cowie shares for every 10 Henlys, an increase from the previous 1-for-2 offer.

A partial cash alternative has been introduced. Henlys shareholders can opt for one Cowie share plus 40p cash for every two shares held.

Cowie also forecast a dividend of 6.25p for the year, a rise of 28 per cent over 1991, to which accepting holders would be entitled. Henlys continued to oppose the offer saying it had "no hesitation in urging shareholders to reject it".

With Cowie shares unchanged at 115p, the all-share offer is worth 80½p per Henlys share, and the partial cash bid 77½p. Total value of the paper terms is £30.5m, and the partial cash terms £29.3m. Henlys shares closed at 75p, up 6p. The offer will close on September 1, barring the appearance of a competing bid.

Cowie said the new terms would give Henlys holders a 40 per cent increase in capital value and a 45 per cent lift in income for 1992. Henlys has forecast a dividend of 3p for 1992.

Mr Gordon Hodgson, Cowie chief executive, said his company's share price was depressed because of the fall in the stock market and the bid. But he was confident it would return to its former levels of about 150p. He said the shares were also more marketable than Henlys'.

There was "compelling commercial logic" to the bid which would "substantially enhance the prospects" for both companies' shareholders, Cowie claimed. The combined group would be the fourth largest motor dealer in the UK, providing economies of scale and synergies with Cowie's other activities.

Mr Hodgson said analysts were expecting Cowie to make a pre-tax profit of £25m in 1992, while Henlys was forecasting a loss. He pooh-poohed orders won recently by Henlys' bus and coach division saying these were routine orders and Henlys had given no indication of likely margins or profits from them.

Mr Steven Lonsdale, finance director, said Henlys had reported that its bus and coach building side had a full order book for the second half of 1992, but even so the division was forecast only to break even at the operating level.

MMC takes the shine off shoe polish merger

By Maggie Urry

THE CONCLUSION by the Monopolies and Mergers Commission that the merger of the Cherry Blossom and Kiwi shoe polish brands might act against the public interest was based on a fear of a substantial increase in prices.

The MMC was primarily concerned about the "self-selection" market, essentially sales through grocery outlets. It said that Sara Lee's acquisition of the Cherry Blossom brand from Reckitt & Colman last October had increased its share of that market segment from 44 to 74 per cent.

That was "a significant reduction in competition in the supply of shoe polish products to the self-selection market", which would give Sara Lee "the opportunity . . . to introduce substantial increases in prices to retailers without constraining forces being brought into play."

The MMC said that would be against the public interest, although "shoe polish products are low-value items, infrequently purchased, and demand is largely insensitive to price". Also it found that consumers' brand loyalty was not particularly strong.

Professor Patrick Minford, the economist and a member of the panel reviewing the merger, said in a dissenting report that "there is considerable countervailing power from supermarket chains" and a "large array of alternative suppliers." He said there were no barriers to imports, except transport costs which were low.

However, the MMC took evidence from supermarket chains, some of which said that competition would weaken. Only J Sainsbury and Superdrug have own-label shoe polishes. In evidence Tesco said that "in its experience where a supplier had a dominant market position that position could be exploited against a company like Tesco."

The MMC concluded that the threat that Sara Lee would close its factory in West Yorkshire, which employs 90 people, and move to France if required to divest, was insufficient to outweigh the benefits.

Professor Minford disagreed. "Loss of output and employment in Yorkshire, an area of high unemployment, would clearly be a serious damage to the public interest."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc Fisheries ......int	1	Oct 1	1	-	7
Blagden Inds ......int	4.5†	Oct 1	4.5	-	8.5
Frgn & Colonial ......int	1.12	Oct 1	1.07	-	3.19
Glynwed Intl ......int	4.15	Dec 9	4.15	-	11.65
Hanson ......int	2.75‡	Oct 1	-	-	11
Johnson Cleaners ......int	7	Oct 2	7	-	25.7
Royal Insurance ......int	2	Nov 6	11.25	-	11.25
Sotheby's ......int	15☆	Sept 23	15	-	60

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Second quarterly distribution. ☆Second quarter payment in US cents.

WPP sees recovery as profits fall 89% after exceptionals

By Maggie Urry

MR MARTIN SORRELL, chief executive of WPP Group, the marketing services company where shareholders approved a capital restructuring last week, said that there were some early signs of a recovery in media advertising.

He said he had been encouraged by the group's trading in recent months, although it was hard to tell whether that might be a pulling forward of business because of the Olympic Games. New business billings of £475m (£440m) were won in the first half.

His comments accompanied interim results which were in line with forecasts made in the restructuring circular. WPP shares rose 1p to 38p.

Profits before exceptional items were £14.5m (£13m), in line with the forecast of profits in excess of £14.2m.

Net exceptional charges of £12.7m, compared with gains of £3m from asset sales, included costs of £13.5m associated with the refinancing. That left a pre-tax profit of £1.82m (£16m).

Turnover was up 6.2 per cent to £2.5bn (£2.35bn) and group revenues rose 3.3 per cent to £601.1m.

The US and UK operations, which make up two thirds of the business, suffered revenue falls of 2 per cent and 5 per cent respectively, but rose by 6 per cent in continental Europe and 8 per cent in the rest of the world.

Margins fell slightly from 6 per cent to 5.8 per cent, and Mr Sorrell said he aimed to cut staff costs as a proportion of revenues and reduce excess property costs. Staff numbers fell by 5 per cent to 20,631.

Losses per share were 3.9p (nil) but on a pro-forma basis, taking account of the restructuring, and before exceptional items, earnings per share would have been 5.1p or 2.7p fully diluted.

Showing how to find the wood through the trees

Andrew Jack on the book which has sparked a storm

MR TERRY Smith, the suspended head of UK research at UBS Phillips & Drew, likens company accounting in the 1980s to a jungle with its own rules and many species of animal.

Little did he know that he would be one of the first forest prowlers to be devoured as a tropical storm erupted over his forthcoming book, called Accounting for Growth.

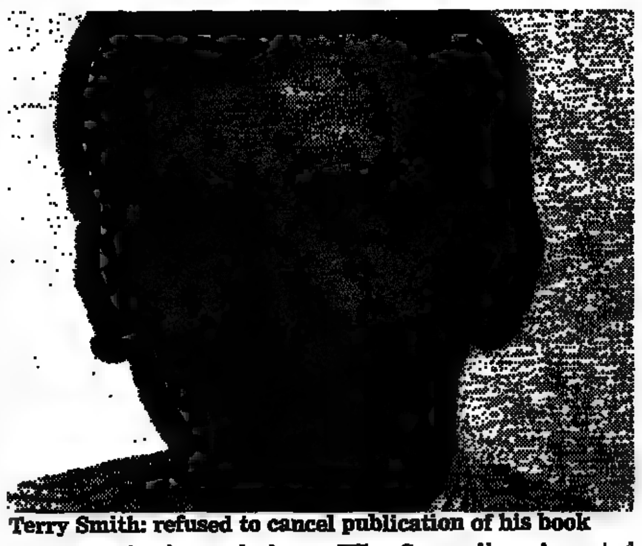
In a draft obtained by the Financial Times, Mr Smith describes his aim as trying to explain how a company which is reporting profits can still go bust. He says he intends not so much to help readers make money from investments as to prevent them from losing it.

He cites three large recent corporate collapses – Polly Peck, British & Commonwealth and Coloroll – and argues they were in part the result of techniques of creative accounting or financial engineering.

He then systematically addresses 12 techniques used in companies' accounts which he says can massage their figures to produce growth in earnings per share and make the balance sheet appear less geared than it actually is.

The "accounting health check list" items – in order of greatest frequency – are:

– extraordinary and exceptional items;
– disposals profits on sales of assets taken above the line or by deconsolidation of subsidiaries in anticipation of sale
– pre-acquisition write-downs: making provisions to adjust purchases to their "fair value";
– capitalisation of costs such as interest and research and development;
– pension fund surplus used to reduce the regular annual charge or to create a pre-payment asset;
– contingent liabilities;
– issues of convertibles with premium put options or variable rate preferred stocks;
– deferred consideration: earn-out commitments on acquisitions;



Terry Smith: refused to cancel publication of his book

– changes in the method or time over which assets are depreciated;
– capitalising brands in the balance sheet;
– off-balance sheet finance, using quasi-subsidiaries, or the sale and re-purchase of assets and joint ventures
– mismatches between the currency of borrowing and deposit.

A section towards the end of the book highlights the incidence of these techniques among more than 200 of the largest quoted UK companies, by market capitalisation, at the beginning of the year. A series of tables shows which of the techniques each employs.

If the uses are added together for each company, Grand Metropolitan – which complained to UBS after reports of the book appeared – scores highest, with nine of the 12 techniques. Ladbroke and Trafalgar House use eight, and 41 companies use at least five.

Mr Smith stresses that use of the techniques does not mean a company uses creative accounting, nor that it is doing anything detrimental. Use of an extraordinary item could represent the most conservative approach, for example.

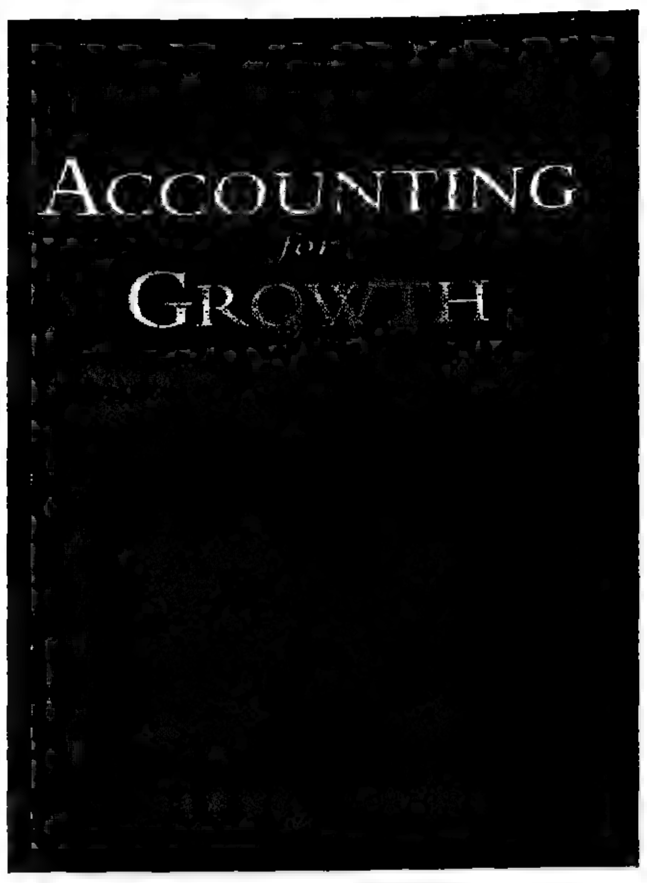
All the accounts listed follow UK Generally Accepted Accounting Principles, meaning that they present a "true and fair" view as defined by the law. But the key word, he argues, is "view", since the accounts simply show someone's opinion.

He stresses that he has made no attempt to show how significant the use of a particular technique is to a company's accounts, and he makes no attempt to rank the techniques in any order of importance.

But he points out that the scores awarded in a previous version of the guide – the original 1991 brokers' circular on which the book is based – proved an accurate pointer to companies for investors to avoid, judging by their share price performance.

The final section of the book provides suggestions for readers of accounts on how to avoid the pitfalls of creative accounting, which he calls "survival techniques in the accounting jungle":

- read the accounts backwards: place less emphasis on the glowing statements from the chairman and more on the resolutions for the annual meeting; the notes such as contingent liabilities, pension funding, and interest payments and receivables;
- read the accounting policies and compare: see them in the light of the effect they will have on profits, looking at issues such as depreciation – whether the treatment has changed and how it compares with competitors' practices;
- screen the accounts using various filters: comparing net interest income/expense with average net cash/debt; the tax rate charged with the statutory rate for companies; the change over a series of years in the proportion of net assets which are depreciated;
- watch for transfers between balance sheet and profit and loss account: examples include converting development properties to investment properties before writing them down; and making provisions in the balance sheet against the value of acquisitions and for their reorganisation which are not then passed through the profit and loss account. This can be checked by comparing the net asset value with movements in profit, and by the new statement of recognised gains and losses proposed by the Accounting Standards Board;
- cash is king: profits can be manufactured by creative accounting, but creating cash is impossible. Cash is more important than profits because it pays dividends and explains why businesses fail. The new cash flow statement considerably improves on the figures presented up till now;
- if in doubt, don't invest: none of the accounting techniques analysed are in breach of UK accounting standards; the auditors will not draw attention to them; and most analysts focus on earnings per share. That means small investors must perform their own analysis, posing questions directly to the company.



Accounting for growth – stripping the camouflage from company accounts, by Terry Smith, is due to be published by Century Business on September 15. Price £25.

Cost reductions behind Glynwed's improvement

By Paul Cheeseright, Midlands Correspondent

GLYNWED International reduced its workforce by 450 during the first half of this year as management continued to assault costs.

Cost reductions and a fall in interest charges were the main factors behind the 48 per cent rise in pre-tax profits, from £10.4m to £15.4m.

The fall in the number of employees worldwide meant that in the last 18 months the group had shed more than 1,800 jobs, taking the payroll down to some 11,500 from a peak of 13,600 in 1989-90.

There had been little or no improvement in Glynwed's markets since the 1991 first half, reported Mr Gareth Davies, chairman. Even in the highly profitable plastics division there had been a pause in the demand from key customers, like British Gas and the water companies. Activity in the engineering steels market remained low, although slightly higher than last year.

Output from metals services businesses had been higher this year than in the closing months of last, but remained lower than it was in the first half of 1991.

● COMMENT

Glynwed may be trying more to penetrate overseas markets, but the fact remains that about 70 per cent of its turnover is in the UK. The hopes it had of a gradually strengthening domestic economy have been thwarted, like everybody else's. Charting the course of profits is a question of setting poor markets against financial gains from past and, no doubt, future cost cutting. An outcome of £40m pre-tax for the year, translating into earnings of 13p a share, does not look unreasonable. That gives the shares, at 196p, a prospective multiple of 15; worth holding for an upturn in demand next year or 1994.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Fidelity European Values, Foreign & Colonial Enterprise Trust, LIT, Thailand Intl. Fund

FUTURE DATES

Interims-	
Baton	Oct. 2
HTV	Sep 25
Lowe (Robert H)	Aug. 18
Monument Oil & Gas	Aug. 27
Perkins Foods	Sep. 7
Scottish Eastern Inv	Aug. 27
Waco	Aug. 26
Finals-	
Provident Financial	Sep. 2
Wardle Storeys	Nov 9

Panel censures two of Dowty's advisers

By Richard Gourlay

THE NOT so gentle art of ear bending, whispered innuendo and off-the-record muck-raking that are part of all hostile bids took a knock yesterday when the Takeover Panel censured two of the professional advisers to Dowty, the aerospace group taken over by TI in June.

The Panel reserved its most serious criticism for Burson-Marsteller, Dowty's public relations company, which it said had made "serious breaches of the Takeover Code".

The unusual force of the Panel's censure was helped by a tape recording of a conversation between a Burson director and an independent analyst.

The over-zealous Burson director was captured on tape saying that Dowty would make pre-tax profits of £55m in the year to March 1993, a forecast Dowty was not able to make formally under the terms of the Takeover Code.

The same director said that Dowty had found a buyer for its information technology division, a statement wide of the mark and described by the Panel as "material new information" but "incorrect".

Lazards, Dowty's financial advisers, were also criticised for being "unable to control the release of information by their client's public relations advisers".

Under pressure from TI five days before the offer closed, Dowty was forced to state that the £55m profits forecast being whispered at deafening levels around the market was not based on anything it had said.

The Panel said it made no distinction between comments made by advisers "off the record" and those made in a more formal manner.

"There are many ways of implying information and opinions during discussions without specifically stating such information or opinions", the Panel said. Such utterances were likely to represent breaches of the code.

NEWS DIGEST

Sotheby's static at half year

SOTHEBY'S Holdings yesterday announced a marginal improvement in pre-tax profits, from $17.7m to $18.4m (£9.6m), for the second quarter to end-June.

Turnover of the auction house, which is controlled by the Detroit-based Taubman family and is quoted in London and New York, rose from $76.1m to $77.9m in the period.

Earnings came out at 20 cents per share against 19 cents last time and the second quarter dividend is a same-again 15 cents.

This brings pre-tax profits for the half-year to $9.1m against $9.12m from revenues up from $108.5m to $114.3m.

The company said that the modest increase in sales during the first half, combined with the improvement in consignment activity, led it to believe a gradual recovery in the art auction business was under way.

Interest cut boosts Ayrshire Metal

Reduced interest costs enabled Ayrshire Metal Products to almost treble pre-tax profits to £115,000 in the first half of 1992, against £41,000.

Sales fell to £14.4m (£15.6m) and the trading profit to £188,000 (£204,000) after redundancy charges of £74,000. Interest costs fell to £73,000 (£163,000).

Earnings per share doubled to 0.8p.

Sea Containers shows improvement

Sea Containers, the Bermuda-based container leasing, ferries and hotels group, yesterday announced second quarter pre-tax profits down from $15.8m to $13.5m (£7m).

The result was struck on turnover up from $97m to $115.5m.

However, the figures for the corresponding period last time benefited from a non-recurring $6.2m out-of-court settlement of a long-standing claim against British Rail.

Stripping out this gain, pre-tax profits for the period showed a near-40 per cent increase. After a tax charge of £200,000 (£204,000 credit) net profits came out at $13.3m ($16.1m). Fully diluted earnings per share emerged at 80 cents ($1.31 adjusted for scrip issue).

This brings pre-tax profits for the half year to end-June to $4.75m ($5.34m) on revenue ahead to $193.8m ($172.8m).

ACCOUNTANCY COLUMN

Critical smoke obscures disciplinary reforms

Andrew Jack explores the tensions surrounding the policing of standards within the profession

AS the disciplinary procedures of the professional accountancy bodies are once more eased into the dock, any chance of their receiving a fair hearing is likely to be rendered impossible by the clamouring of the lynch mob.

Criticism has been unleashed from both external observers and those within the profession in the last few months. Only the most recent example was the professional conduct hearing at the Institute of Chartered Accountants in England and Wales against Mr Michael Jordan and Mr Richard Stone of Coopers & Lybrand over an alleged conflict of interest surrounding their appointment as administrators to Polly Peck International.

Some pour scorn on why these hearings are taking so long, and why they have now been postponed, apparently at least until mid-October. Others attack the decision to keep the hearings secret, even from other council members who sit on the disciplinary committee itself.

But the Polly Peck incident is not so exceptional. At a packed meeting in November last year arranged by the London Society of Chartered Accountants, small practitioners angrily accused the English institute of protecting the larger firms.

Why, they demanded to know, was no action being taken to investigate the accountants' role in the collapse of the Bank of Credit and Commerce International? (The announcement of just such an investigation was not ultimately made until this April.) Several disgruntled members said that if they had been involved in such a scandal, they would have been summarily dismissed from the institute.

The fact is that any disciplinary action — or the apparent lack of action in a high-profile scandal — is always likely to generate grievance. Much may be ungrounded, yet among the unfair vocal attacks, some faint legitimate voices are being drowned out.

The professional bodies have done much to bring about reform. Mr Ian Plaistowe, who became the new president of the English Institute in June, has said that his vision of the disciplinary system is to be "firm, fast and fair". He has dubbed attempts to mould the system to this vision as among the highest priorities during his year in office.

A large number of the most significant reforms pre-date Mr Plaistowe's appointment. Many reflect the influence of Mr Brian Harris, a lawyer who heads the institute's professional conduct department.

Only last week, the most recent institute council approved a thick report from a working party on its relationship with firms. This will open the way to action being taken directly against firms rather than just the individuals within them, currently only allowed in the regulated areas of insolvency, audit and investment business.

Earlier this year, the institute appointed an "ombudsman" to mediate on behalf of people who had made complaints against professionals that the disciplinary committee had decided not to pursue.

> **Any disciplinary action — or the apparent lack of action in a high-profile scandal — is likely to generate grievance. Much may be ungrounded, yet among the unfair vocal attacks, some faint legitimate voices are being drowned out.**

A change in the by-laws has meant that the institute can now be much more open in disclosing when a major investigation has been launched. Another has placed an obligation on accountants to report to the institute any serious misconduct by members which they come across in the course of their work.

The disciplinary penalties meted out to accountants found guilty of misconduct have been simplified, and the level of fines imposed has risen. Professional fees charged by practitioners can be reduced by the committee, and the institute has the power to intervene directly in the operation of a practice.

The most extreme case of fines has come in the operation of the Joint Disciplinary Scheme (JDS), the body that considers matters of significant public interest and is operated in conjunction with the Institute of Chartered Accountants of Scotland and the Chartered Association of Certified Accountants.

In its report on Milbury in the spring, Arthur Young became the first accountancy firm to be fined by the JDS, for its failure as auditor to highlight "seriously misleading" figures in the 1984 accounts of the collapsed house-building group. It was fined £100,000 plus £40,000 in costs.

Other proposed JDS changes — already reflected in the workings of the disciplinary committee — allow simplified and more rapid processing of complaints when the firm or individual under scrutiny admits responsibility.

JDS reports are already released in full. Now discussion is underway to provide more detail on the results of the other, more minor disciplinary hearings.

Many of the complaints about disciplinary procedures are related to the delays between an allegation and its resolution. Mr Brian Harris says this is partly the result of the rising workload of complaints, reflecting a similar trend by many professional bodies.

The institute received about 3,500 complaints last year, up 20 per cent on the previous year, 10 per cent on the year before that – and likely to rise by another 20 per cent this year. But most of these cases are handled without any formal proceedings, and the vast majority concern often trivial difficulties in relation to very small practitioners.

Most criticism centres on the handful of high-profile cases taken on by the JDS. Part of the delay is explained by the need to allow the cases to be adequately prepared and to allow the chance for appeals. Part is inextricably tied into the delays in the legal system, since the JDS cannot take action while a court case is underway.

Barlow Clowes, the disgraced fund management company, for example, was closed by the Department of Trade and Industry in 1988. Its JDS case was only re-opened in February, after prosecutions in the courts had finished.

That leaves one vital concern unanswered, however: the openness of proceedings. The JDS cases are at least reported in full on their conclusion, giving outsiders the chance to see details of the evidence and arguments presented. There is no such luxury for the hearings of the disciplinary committee.

The tension within the institute is whether its apparently growing desire to be seen to be fair will conflict with the effectiveness of its procedures.

A paper circulating internally stresses the risks of defamation, contempt, restriction of free discussion, and the level of co-operation with other regulatory bodies if sensitive information is discussed too openly.

It may well be that these barriers prove unsurmountable. If the institute is determined to be seen to be objective, it must have to face up to an unpleasant question which has been rather buried over the last few months: whether there is an irreconcilable conflict over its roles as both a trade association and a professional regulator for accountants.

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Accountant

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Executive Director - Corporate Services
Unithai Group of Companies
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The new Commissioner must be a person of high intellectual quality and wide experience either in the regulation of, or in the field of, finance centre activities. In addition, he/she must have the maturity and personal qualities required to deal with professional people and other regulatory authorities. Ability to develop good personal relationships is therefore essential.

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For further information and to apply, please write enclosing a full CV and details of current salary to Mr R P Armstrong, Office of the Deputy Governor, No.6 Convent Place, Gibraltar. Tel (350) 78500, Fax (350) 73589.

Precious metals falls leave traders 'shell-shocked'

By David Blackwell

"THE BEARS have really got the bit between their teeth," commented one gold dealer yesterday as London bullion market prices fell on the back of the overnight plunge on the New York futures markets.

No single factor appears to have sparked the retreat. Analysts cited talk of global recession, well-timed producer selling from Australian gold producers and the fall in the stock market in Japan, the biggest platinum consumer. Added to the cocktail was a fall to six-year lows of a Commodities Research Bureau futures index watched widely as an inflation indicator and the easing of tension in South Africa, the biggest platinum producer.

Once the ball started rolling on Wednesday in New York, US investors and commodity funds bailed out of the market in a frenzy of selling.

Yesterday the London gold market closed at $338.25 a troy ounce, a fall of $8.10 and the lowest close for two months. Platinum was fixed at $351.75, down $16 and silver closed at 381.5 cents, down 7.5 cents.

In late trading both gold futures on Comex and platinum futures on Nymex were showing further heavy losses. The active October platinum contract was down $7.80 at $346.50 and the December gold contract was off $4.50 at $337.50.

Mr Brian Nathan, managing director of Ayrton Metals, said the rout on Wednesday could have been sparked by news that the chairman of General Motors had announced the possibility of further plant closures later this year.

"Fund managers decided not to wait any longer," he said.

Platinum is now widely regarded, like silver, as an industrial metal – automotive exhaust catalysts account for nearly 40 per cent of total platinum consumption. Its fall has taken the gold market with it.

Gold's recent rally ended in failure to breach the $360-a-troy-ounce level, and many analysts believe it is heading back to the recent low of $335.20, struck in May.

"It looks horrible," said Mr Wiktor Bielski, analyst with Carr Kitkat & Aitken. "It came down so fast you would be a mug to touch it." He believes the big commodity funds, which had been beginning to take renewed interest in the gold market, would be put off for at least six months by the speed of the fall.

"There are an awful lot of shell-shocked people out there," said Ms Rhona O'Connell, analyst with Williams de Broe, part of the Banque Bruxelles Lambert group. She believes there is not much support for gold above the level of the recent low.

Mr Ted Arnold, metals specialist at Merrill Lynch, pointed out that there was no longer anything mystical about gold, which has to be regarded as a commodity like any other. There was no sign of any strong buying on the horizon which could take gold back up, he said, suggesting that the market could touch $320 or below. "$355 looks like the Matterhorn now," he said.

Mr Charles Kernot of Durlacher & Company, stockbrokers, said that, looking at the charts, he "would not be surprised if gold came back to $325" in the short term. However he remained bullish about gold in the long term, because he believed that the general world economic malaise would lead to currency devaluations.

Mr Neil Carson, marketing director at Johnson Matthey, the world's largest platinum marketing group, stands by the company's May forecast that the price would reach $400 a troy ounce by the end of the year.

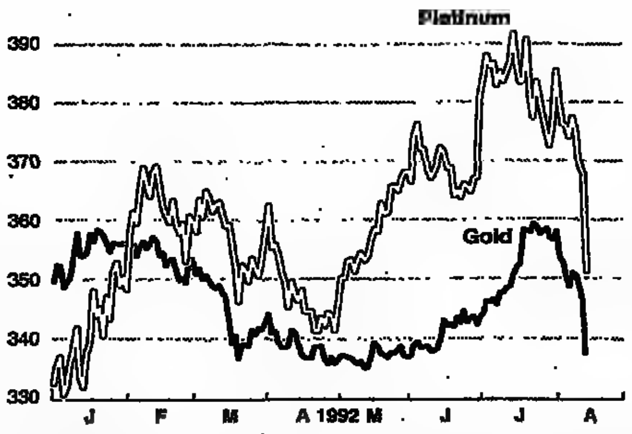
"These dramatic movements can sometimes happen in this month, when there are so few players in the market."

Automotive catalysts used 500,000 troy ounces in 1991, but this year 800,000 troy ounces will be used, Mr Carson said, pointing out that by the end of December every new car in the European Community has to be fitted with a catalyst.

"If the price dropped by $5 in any other month than August, there would have been heavy buying into the drop," he suggested.

Other observers believe the platinum market will bounce once August is over, but see $380 as the top level this year – and then only if the world's economic performance improves in the final quarter.

$ per troy ounce (London market prices)



Source: Datastream

Russia strives to boost grain supply

By Leyla Boulton in Moscow

THE RUSSIAN government plans to reorganise its grain procurement system as part of attempts to encourage peasants to hand over more supplies to the state.

Mr Leonid Cheshinsky, chairman of the government grain procurement committee, reported yesterday that the state had met only 25 per cent of its 29.1m tonne target for this year. He said it was likely that the government would only be able to secure a total of 24.5m tonnes as 12 grain producing regions had unilaterally reduced the amount they planned to sell.

As a result, President Boris Yeltsin is to sign a decree making sales to the state compulsory only for regions which produce surplus grain beyond their own needs, absolving those which only break even or produce less grain than they need. Mr Cheshinsky said this would mean doing away with the old system, whereby all grain-producing regions had to sell grain to the state, which would then send some back to them.

He said Russia would import an estimated 20m tonnes, including 3m tonnes from Kazakhstan. He forecast the Russian grain harvest this year at 94m-96m.

On Tuesday, the government raised its purchase price for lower quality grain from Rbs10,000 to Rbs12,000 a tonne, in an attempt to increase procurement levels. Mr Cheshinsky said however this would aggravate the crisis in livestock and poultry breeding. The government has allocated 20,000 military trucks to help move the harvest off farms.

● The Ukrainian government, anxious to fill state granaries, has threatened to halt subsidies to farms that refuse to sell grain to the state, reports Reuter from Kiev.

The government said it had succeeded in purchasing just 8m tonnes of grain so far this year out of a required 17m.

Wool takes a back seat on UK farms

Low prices discourage quality improvement, writes Hilary de Boerr

EDMUND MORPHET has been hill farming in the Yorkshire Dales for almost 40 years. His 900 sheep, like many others scattered about the hills, are largely of the Dales-bred variety – black-headed with a whitish snout, adaptable to climate changes. "Sheep with a bit of black in the shanks or the head are believed to be a bit hardier. . . buyers like them that way," he says.

The buyers he speaks of want the sheep for their meat or for breeding. Buyers of the sheep's wool have a rather different view. Stray black hairs in the white wool make it less desirable to carpet and cloth manufacturers, less marketable, less competitive internationally. "If we could educate the producer to breed so that the effect of black hairs is minimised, we would be helping the carpet industry and the producer also," says Mr Maurice Grass, managing director at the British Wool Marketing Board.

The BWMB has a tough job ahead of it – and stray black hairs are just the beginning. The wool market is in the doldrums, having just weathered its worst three years. Britain, Australia and New Zealand have wool stockpiles which continue to depress prices. And in the next couple of years the UK government is going to end its price guarantee programme, meaning an open market for British wool.

British farmers are obliged by law to sell their wool to the board, which is in turn obliged to buy it. Last year, 100,000 producers sold it 50.5m kg of wool.

The board grades and sorts the wool, organises auctions for buyers every two weeks, and stockpiles that which does not sell - it still has more than 4m kg from 1991. And every year it guarantees farmers a price for their product – a price that is historically low but still higher than it would be in a free market.

Several factors have conspired to take the average auction price of wool below 65p a kilogram over the past 12 months – although the subsidised British farmer still gets an average 82p.

Most British wool is used in carpet and upholstery manufacturing – markets which have been hit severely by depressed property sectors in many countries. Political upheavals in significant markets like China and Russia have further dampened demand. Meanwhile, man-made fibres and changing fashions have overtaken wool, both in carpet-making and in textiles.

Wool's share of the world textile fibre market is now only about 4 per cent.

Britain's main competition comes from New Zealand, which also produces mostly carpet wool – albeit a lot more. New Zealand's total annual wool production is more than 220m kg – or 9 per cent of the world market – compared with Britain's 2 per cent share. Australia is the largest producer, with a third of the market, but its sheep produce finer wools largely for the clothing industry.

The BWMB's aim is to boost sales by improving the quality of the British product, so that it can compete effectively on world markets. Mr Grass says: "The future for British wool lies in it being accepted as a truly international fibre".

The board is conducting a campaign to impress on farmers the need to deliver wool properly packaged and uncontaminated – rather than tainted by tar, colouring, other fibres, moisture, straw or feed. Breeds are another area of contention; the board not only prefers pure white sheep, but would also like to see more breeds with finer wools, to increase markets for the British product.

There is a troublesome catch-22, however. In Britain, wool represents only between 5 and 10 per cent of a sheep's market value. Farmers are therefore reluctant – or even unwilling – to devote much effort to keeping the wool clean or to introducing new breeds. Without higher prices, farmers are unlikely to address the issue of wool quality; without improved quality, prices are unlikely to rise much.

Hill farmer Mr Morphet explains: "The first priority in selecting breeding stock is size and length, next is bone and colour and the wool comes along behind". He receives an average £1.63 net per ewe for its annual wool clip, or about £1,200 a year – "an insignificant amount", he says.

Falling wool prices and the impending removal of the price guarantee – a government subsidy that will end sometime after next April – mean the board has had to clean up its own act over the past couple of years.

Eighteen months ago it employed 160 people and had borrowings of about £40m, largely a result of the high cost of stockpiling unsold wool. There are now 60 employees and no borrowings. Marketing costs have been reduced by more than a quarter since 1990, to levels last seen in 1984.

Most of the marketing funds – about 80 per cent – go to transporting, grading and packing the wool, and plans for further automation could help reduce costs further. Meanwhile, the board is pursuing new outlets for British wool – such as Japanese futons and Italian mattresses. More unusual applications include footpath repairs on the Pennine Way, on booms for containing oil slicks and on football pitches.

Once the guarantee ends, there is then some question over the future role of the board. As one wool buyer questions: will it still be able to force farmers to sell it their wool if better prices are being offered elsewhere?

Edmund Morphet earns about £1,200 a year, "an insignificant amount", from his wool

Alouette smelter ready for first shipments

By Kenneth Gooding, mining correspondent, in Sept Iles, Quebec

THE ALOUETTE smelter in Quebec is ready to dispatch its first big batch of aluminium only 36 months after construction started on a greenfield site. About 4,500 tonnes will be shipped out to Rotterdam for European customers on August 20.

The smelter, about 850 km (530 miles) north-east of Montreal on the north shore of the mouth of the St Lawrence river, was brought into production within a very tight schedule but under the C$1.4bn (£610m) budget.

It will produce 70,000 tonnes of metal this year and by December be running at its full annual capacity of 215,000 tonnes.

The budget included most of the preparation work for a second phase to double annual output. Mr Otto Niederhofer, president of VAW Aluminium Canada, said that the partners in the Alouette Consortium were "broadly in favour" of going ahead with the expansion. VAW of Germany is technical manager of the project.

However, present low aluminium prices and uncertainties about aluminium production in and exports from Russia is holding up a final decision.

Along with VAW, partners in Alouette, each with 20 per cent are: Austria Metals Hoogovens of the Netherlands; a joint venture between Kobe Steel and Marubeni of Japan; and SGF (Société Générale de Financement), the Quebec-base industrial agency.

While the smelter, which will employ 530 workers, will be one of the lowest cost – and least polluting – in the world, the partners are giving no details because Alouette has signed a confidentiality agreement with the Quebec-owned Hydro Quebec, which is supplying power under a 25-year risk – and profit-sharing contract. This also covers the second phase of the project – but only if a decision is made by the end of 1994.

Alouette is among several projects which cost a total of nearly C$4bn and boosted Canada's primary aluminium production capacity by 26.5 per cent in 1991 and another 16.5 per cent this year. The country now has about 2m tonnes of capacity, all but 200,000 tonnes of it in Quebec, drawn to the province by its abundant low cost, renewable, non-polluting hydro-electricity.

In the past year 690,000 tonnes of new capacity has come on stream to worsen the aluminium over-supply situation created by recession in most industrialised countries and increased Russian exports.

Mr Niederhofer said the partners considered lengthening the schedule for Alouette's start-up but this would have increased costs substantially.

In any case, most of Alouette's metal would be absorbed by the partners' downstream activities, mostly in Europe as it is cheaper to ship aluminium from the smelter to Europe than to truck it to the US.

SGF would retain some metal in Quebec where it wants to encourage new aluminium fabricating businesses to be set up.

A Venezuelan company, Cabalum, has cleared a site next to the Alouette smelter for a C$45m aluminium cable plant, but work has been halted for a year, reportedly because of the cost of financing the venture.

VAW took over management of the smelter project in 1989 after Reynolds Metals of the US dropped out of the consortium. Now 97 of Alouette's 264 "pots" are working and the smelter is producing 200 tonnes of metal a day. Mr Niederhofer said that for the smelter to have moved so swiftly to a smooth start-up was "amazing", given the numbers of people involved the size of the project and the remoteness of the region.

WORLD COMMODITIES PRICES

MARKET REPORT

New York COTTON futures tumbled in early afternoon dealings, scoring successive lifetime lows. One Mississippi economist said Wednesday's USDA crop report confirmed that US cotton had to seek lower prices if it is to compete in the world market place. "The explosion in world stocks makes this very clear," he said. The report showed 1992 production of 16.5m bales compared to 16m last month. "Most estimates were running about 15.8m to 15.9m, so this was a surprise to the market although not totally unexpected," said one broker. Most base metals ended below overnight levels on the LME, although the presence of underlying support helped some move away from their lows, particularly copper and zinc. Three-month COPPER met support around $2,480 tonne, as expected, and recovered to end at $2,486, still down $11 from Wednesday's kerb. London COCOA closed well below its highs but held on to moderate gains as New York rallied after Wednesday's sharp slide. "No one can still find any fundamental reason for the fall yesterday other than long speculative liquidation, which we hope we've seen the last of," one trader said.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$17.70-7.80y	+.175
Brent Blend (dated)	$19.80-9.90	+.225
Brent Blend (Sep)	$19.85-9.95	+.175
W.T.I. (1 pm est)	$21.20-1.25y	+.150
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	
Gas Oil	$177-179	+2.0
Heavy Fuel Oil	$84-85	
Naphtha	$191-192	+1.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$338.25	-8.1
Silver (per troy oz)♣	381.5c	-7.5
Platinum (per troy oz)	$351.75	-16
Palladium (per troy oz)	$84.75	-2.25
Copper (US Producer)	116.5c	-0.5
Lead (US Producer)	39.40c	
Tin (Kuala Lumpur market)	17.00r	+0.24
Tin (New York)	314.5c	+1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	110.76p	-0.85*
Sheep (live weight)†♣	72.40p	-3.15*
Pigs (live weight)†	81.08p	+1.07*
London daily sugar (raw)	$269.6w	+3.6
London daily sugar (white)	$289.4w	-1.6
Tate and Lyle export price	£249.5	+2.5
Barley (English feed)	£118.5z	
Maize (US No. 3 yellow)	£151.5	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	[illegible]	
Rubber (Oct)♥	50.50p	
Rubber (KL RSS No 1 Jul)	[illegible]	+0.5
Coconut oil (Philippines)§	$500.0t	
Palm Oil (Malaysian)§	$380.0v	+5
Copra (Philippines)§	$322.5	+7.5
Soyabeans (US)	£135.0	-1
Cotton "A" index	59.45c	-1.6
Woolltops (64s Super)	376p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct. w-Aug/Sep. y-Sep. z-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX		($ per tonne)	
Raw	Close	Previous	High/Low
Oct	208.00	210.00	220.60 213.60
Dec	206.00	205.00	205.00 200.00
White	Close	Previous	High/Low
Oct	261.50	268.00	267.50 261.00
Dec	257.50	264.50	[illegible]
Mar	261.50	267.50	[illegible]
May	266.00	271.50	269.90 266.30
Aug	271.00	276.50	274.00 271.30
Oct	261.70	267.00	264.20 262.00
Dec	261.60		262.00

Turnover: Raw 25 (47) lots of 50 tonnes. White 1862 (1664) Paris- White (FFr per tonne) Oct 1318.04 Dec 1317.88

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Sep	19.91	19.72	19.94 19.80
Oct	19.92	19.77	19.95 19.82
Nov	19.88	19.74	19.91 19.85
Dec	19.83	19.68	19.87 19.78
Jan	19.69	19.62	19.72 19.69
Feb	19.61	19.44	19.63 19.59
IPE Index	19.69	19.60	19.69

Turnover 26326 (32590)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Sep	181.00	179.00	181.50 178.25
Oct	184.50	182.50	[illegible]
Nov	187.00	185.00	187.25 186.25
Dec	188.75	187.00	[illegible]
Jan	189.25	186.50	188.75 187.25
Feb	185.00	182.75	185.00 184.50
Apr	178.00	176.50	178.50 177.50
May	176.75		176.50 175.50

Turnover 11125 (23392) lots of 100 tonnes

FRUIT & VEGETABLES

English Victoria plums are this week's best fruit buy at 50-65p a lb reports the FFVIB. French Guyot pears at 30-45p a lb (35-40p) remain plentiful, along with nectarines at 15-20p each (15-20p). English Discovery apples are also superb value at 38-48p a lb (35-50p). Runner beans at 50-65p a lb (70-80p) and courgettes at 40-50p a lb (40-55p) are excellent quality buys while Corn-on-the-cob remains abundant at 25-35p per cob (30-40p). Tomatoes from the UK, Holland and Channel Islands continue to be superb quality at 30-40p a lb (30-45p). With Cucumbers at 40-50p each (40-50p), rounding up this week's best buys.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Sep	616	597	622 603
Dec	647	633	[illegible]
Mar	679	662	683 664
May	698	681	701 682
Jul	716	700	717 707
Sep	734	720	725
Dec	760	745	763 749
Mar	787	773	791 783
May	806	798	807

Turnover: 6485 (10250) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Aug 12 788.87 (780.81) 10 day average for Aug 13 801.10 (802.86)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Sep	703	710	712 702
Nov	725	728	733 722
Jan	740	743	743 739
Mar	752	758	757 751
May	771	766	769
Jul	785	785	784

Turnover:2412 (3548) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Aug 12. Comp. daily 45.20 (46.23) 15 day average 47.17 (47.49)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	60.0	57.8	59.5 57.0

Turnover 153 (97) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	120.50		120.50

Turnover 0(175) lots of 20 tonnes

FREIGHT – London FOX			$10/Index point
	Close	Previous	High/Low
Aug	1075	1075	1075
Sep	1125	1115	1130 1120
Oct	1208	1200	1206 1205
Jan	1245	1240	1245
BFI	1060	1057	1060

Turnover 68 (137)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Sep	113.20		113.50 113.20
Nov	115.40	115.25	115.40 115.20
Jan	119.25	119.00	119.25 119.15
Mar	122.25	121.95	122.25 122.10
Barley	Close	Previous	High/Low
Sep	109.50		109.50 109.50
Nov	112.75		112.80 112.70
Jan	116.50		116.50 116.50
Mar	119.15	119.00	119.15 119.15

Turnover Wheat 184 (158) Barley 56 (12). Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Aug	104.2	104.2	104.2 104.0

Turnover:22 (18) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 30,618 lots
Cash	1304.5-5.5	1304-5		1302-2.5		
3 months	1328-9	1328-9	1330/1320	1325.5-6.0	1328.5-7	180,533 lots
Copper, Grade A (£ per tonne)						Total daily turnover 35,470 lots
Cash	1286-7	1299-300	1290	1289.5-90.5		
3 months	1308-9	1320.5-1	1311/1308	1310.5-11	1309-9.5	148,355 lots
Lead (£ per tonne)						Total daily turnover 5,779 lots
Cash	334-5	339.5-40.5		334-4.5		
3 months	344-4.5	349.5-50	348/344.5	344-4.5	343-4	30,074 lots
Nickel ($ per tonne)						Total daily turnover 4,432 lots
Cash	7265-75	7250-60	7255	7255-6		
3 months	7340-5	7330-5	7345/7315	7330-5	7330-5	25,187 lots
Tin ($ per tonne)						Total daily turnover 1,804 lots
Cash	6785-95	6770-80	6780	6780-5		
3 months	6810-5	6800-5	6840/6790	6800-5	6825-35	12,741 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,176 lots
Cash	1333-4	1353-5	1336	1336-6.5		
3 months	1326-6.5	1345-6.5	1337/1325	1327-7.5	1326-7	68,230 lots

LME Closing £/$ rate: SPOT: 1.9316 3 months: 1.9005 6 months: 1.8887 9 months: [illegible]

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.10-338.40	
Opening	339.70-340.00	
Morning fix	339.25	176.033
Afternoon fix	337.30	174.848
Day's high	340.30-340.60	
Day's low	336.80-337.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.57	6 months	2.62
2 months	2.57	12 months	2.67
3 months	2.58		

Silver fix	p/troy oz	US cts equiv
Spot	197.65	380.90
3 months	202.60	383.85
6 months	207.75	387.10
12 months	218.35	395.00

GOLD COINS	$ price	£ equivalent
Krugerrand	338.00-340.00	175.00-177.00
Maple leaf	348.10-350.35	-
New Sovereign	82.00-84.00	42.00-43.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	24	60	10	24
1350	4	33	40	47
1400	3	17	86	79
Copper (Grade A)	Calls		Puts	
2450	53	81	12	55
2500	24	57	33	80
2550	8	39	67	111
Coffee	Sep	Nov	Sep	Nov
650	53	82		6
700	13	48	10	24
750	1	25	48	51
Cocoa	Sep	Dec	Sep	Dec
600	22	63	6	16
625	8	48	17	26
650	2	35	36	38
Brent Crude	Oct	Nov	Oct	Nov
1950			19	36
2000	35	50	42	61
2050	19	33		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Aug	334.1	338.6	338.0	332.5
Sep	334.3	339.0	0	0
Oct	335.4	340.1	340.5	334.0
Dec	337.2	342.0	342.2	335.0
Feb	339.0	343.9	342.7	338.0
Apr	340.6	345.6	344.5	339.2
Jun	342.4	347.4	0	0
Aug	344.2	349.3	349.2	342.5
Oct	346.2	351.3	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	347.9	354.3	353.8	344.5
Jan	346.6	353.3	351.5	344.0
Apr	347.4	354.3	352.5	349.5
Jul	348.4	355.3	354.0	354.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Aug	375.2	376.7	376.0	374.0
Sep	377.0	377.5	381.0	374.5
Oct	378.9	379.5	0	0
Dec	380.6	381.2	384.5	[illegible]
Jan	[illegible]	382.5	0	0
Mar	[illegible]	[illegible]	388.0	[illegible]
May	387.3	387.9	[illegible]	[illegible]
Jul	389.8	390.4	392.5	388.5
Sep	392.8	[illegible]	396.5	391.0
Dec	[illegible]	397.7	400.0	395.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	111.30	111.00	111.50	110.75
Sep	111.65	111.35	111.90	110.70
Oct	[illegible]	111.50	[illegible]	111.95
Nov	111.85	111.45	0	0
Dec	[illegible]	111.40	111.90	110.95
Jan	111.45	111.00	0	0
Feb	111.10	110.65	0	0
Mar	110.80	110.25	110.75	109.90
Apr	[illegible]	[illegible]	0	0
May	[illegible]	108.95	[illegible]	108.90

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	[illegible]	9.86	9.85	9.25
Mar	[illegible]	9.39	9.37	8.96
May	[illegible]	9.31	9.30	9.00
Jul	9.03	[illegible]	9.24	[illegible]
Oct	8.94	[illegible]	9.10	8.90

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Sep	21.23	21.06	21.26	21.18
Oct	21.15	21.02	21.20	21.09
Nov	21.06	20.95	21.15	21.03
Dec	21.02	20.90	21.05	20.96
Jan	20.93	20.82	20.93	20.88
Feb	[illegible]	20.73	20.86	20.79
Mar	20.71	20.65	20.76	20.70
Apr	20.63	20.55	20.63	20.60
May	20.52	20.43	20.56	20.52
Jun	20.44	20.33	20.46	[illegible]

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Sep	5855	5787	5875	5820
Oct	5965	5893	5980	5930
Nov	6065	6005	6080	6040
Dec	6175	6110	6185	6140
Jan	6210	6150	6225	6200
Feb	6130	6095	6155	6130
Mar	5955	5915	5965	5950
Apr	5790	5745	5800	5790
May	5665	5615	5665	5650
Jun	5570	[illegible]	5575	5570

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1032	995	1042	1010
Dec	1093	1064	1101	1073
Mar	1140	1104	1147	1110
May	1171	1135	1173	1153
Jul	1199	1163	0	0
Sep	1229	1193	0	0
Dec	1264	1228	0	0
Mar	1300	1264	0	0
May	1326	1292	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	50.85	50.75	51.75	50.20
Dec	[illegible]	53.45	[illegible]	52.95
Mar	56.40	56.15	57.20	55.80
May	60.45	[illegible]	60.80	60.00
Jul	62.90	62.56	[illegible]	[illegible]
Sep	65.30	64.70	65.00	65.00
Dec	68.90	68.70	69.00	69.00

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	59.13	59.46	60.10	58.52
Dec	56.72	60.20	[illegible]	56.42
Mar	57.90	60.60	59.00	57.70
May	58.70	60.65	[illegible]	[illegible]
Jul	59.25	[illegible]	60.60	59.25

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	110.30	106.90	110.20	[illegible]
Nov	108.75	104.65	107.50	106.00
Jan	106.10	104.10	105.70	105.25
Mar	106.15	104.45	106.80	105.60
May	106.60	104.30	106.60	105.90
Jul	106.10	104.10	106.25	106.00
Sep	106.10	104.10	0	0
Nov	106.10	104.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Aug 13	Aug 12	mnth ago	yr ago
1524.9	1531.7	1559.4	1649.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Aug 12	Aug 11	mnth ago	yr ago
Spot	115.87	115.66	116.40	116.00
Futures	114.77	118.00	119.00	120.06

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Aug	547/2	541/0	548/4	543/0
Sep	547/4	539/2	548/4	540/6
Nov	547/0	536/2	547/4	538/2
Jan	554/4	544/0	555/4	547/0
Mar	563/2	551/2	563/4	555/0
May	569/6	558/6	570/4	564/0
Jul	576/0	564/4	577/0	569/0
Aug	574/0	564/0	574/0	571/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	18.35	18.18	18.35	18.16
Sep	18.32	18.17	18.40	18.20
Oct	18.49	18.33	18.54	18.35
Dec	18.78	18.69	18.88	18.66
Jan	18.94	18.85	19.01	18.84
Mar	19.27	19.16	19.32	19.15
May	19.58	19.43	19.60	19.46
Jul	19.81	19.66	19.87	19.80

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Aug	171.2	169.4	172.0	169.7
Sep	172.1	170.3	172.7	170.7
Oct	188.6	187.1	190.5	187.8
Dec	188.5	185.8	189.5	186.5
Jan	187.5	186.4	188.9	186.5
Mar	188.0	186.0	188.6	186.5
May	188.5	185.0	188.5	186.0
Jul	[illegible]	185.8	189.0	187.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	217/6	214/6	218/0	214/6
Dec	221/4	218/4	222/0	218/4
Mar	230/4	227/4	231/0	227/6
May	236/4	233/6	237/0	233/6
Jul	241/0	238/2	241/0	238/0
Sep	241/0	239/0	242/0	239/6
Dec	244/2	243/2	245/0	243/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	[illegible]	306/2	306/0	[illegible]
Dec	316/2	317/2	318/4	312/4
Mar	323/2	324/4	325/4	320/2
May	321/6	322/4	324/0	320/0
Jul	[illegible]	309/4	310/0	306/0
Sep	315/0	313/4	0	0
Dec	324/0	322/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	74.075	74.800	[illegible]	74.050
Oct	[illegible]	74.275	74.350	73.800
Dec	72.350	72.825	72.700	72.300
Feb	71.700	71.875	72.025	71.700
Apr	73.100	73.000	73.125	72.825
Jun	[illegible]	70.250	70.250	70.000
Aug	68.700	68.725	68.700	68.650

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Aug	44.150	[illegible]	44.450	43.850
Oct	40.425	39.100	40.500	39.250
Dec	40.875	40.000	41.050	40.125
Feb	40.575	39.625	40.650	39.700
Apr	39.200	38.400	39.350	38.400
Jun	[illegible]	44.500	44.800	44.025
Aug	43.450	43.000	43.500	43.200

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	37.325	36.325	37.325	36.350
Feb	39.650	37.650	39.650	38.100
Mar	39.550	37.700	39.625	37.950
May	40.900	38.900	40.900	39.500
Jul	39.500	38.425	39.500	0
Aug	38.400	38.350	38.400	38.550

Technical rally boosts share prices

By Terry Byland, UK Stock Market Editor

THE UK stock market broke its seven-day run of losses yesterday but moved uncertainly at first before responding firmly to the latest statistics on domestic unemployment, industrial production and wage trends.

Trading results from Royal Insurance helped sustain the brighter trend in the sector and water stocks responded favourably to the official report on the prospective costs of meeting environmental demands. The broader range of the market was featured by sharp but irregular movements among the Footsie stocks.

Equities opened lower with investors discouraged by a bearish review of dividend prospects at Barclays bank from a UK brokerage house. Share prices took a further knock when stock index futures opened lower and the Footsie was nearly ten points down. By mid-morning it was below the 2,300 mark which has proved a painful testing point for market confidence over the past fortnight.

However, the clutch of economic data, showing a small increase in production and some moderation in wages and unemployment, gave relief to a stock market badly unsettled by economic uncertainty.

Although buying support was not on any great scale, the Footsie climbed steadily into positive territory.

London gathered pace when Wall Street opened firmly and, at best, the Footsie was more than 20 points ahead. However, gains were trimmed as the early advance in New York was reversed in UK trading hours. The final reading put the FT-SE Index at 2,318 for a net gain on the day of 14.9.

Trading volume remained very disappointing and the market became very quiet before the end of the session. Seaq volume reached a mere 441.3m shares. Wednesday's 406.2m reflected retail business worth only £699.6m, still woefully inadequate in terms of profitable trading for the London-based securities industry.

With some other European markets remaining on the downward tack, London analysts were wary of changing their views after yesterday's rise, which was regarded as largely technical; many traders needed to buy stock to meet selling orders taken aboard since the equity trading account started on Monday.

Bearish views on the stock market continued to dominate the investment stage. At Goldman Sachs, Sushil Wadhwani said that if the UK economy shows no sign of recovering in a year, he still expects that the Footsie will then trade around 2,000. In the near term, he predicts a technical bounce in an oversold market.

While yesterday's economic data gave the stock market some cause for a revival of confidence, attention is now focused keenly on the July retail price index, due at 11.30am this morning. Expectations are for a slight rise, perhaps of 0.1 per cent on the month, to show an annualised rate of 4.2 per cent on the year, excluding mortgage charges.

The resumed flow of economic data will continue next week with the July Distribution Survey from the Confederation of British Industry and the latest Public Sector borrowing statistics.

Account Dealing Dates		
First Dealings:		
Jul 27	Aug 10	Aug 24
Option Declarations:		
Aug 6	Aug 20	Sep 3
Last Dealings:		
Aug 7	Aug 21	Sep 4
Account Day:		
Aug 17	Sep 1	Sep 14

*New time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Aug 13	Aug 12	Aug 11	Aug 10	Aug 7	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	87.96	88.06	88.21	88.28	88.28	85.59	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.19	104.29	104.40	104.49	105.11	94.54	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1722.2	1715.3	1723.5	1731.8	1753.3	2033.3	2149.7 (22/5)	1715.3 (12/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	81.6	85.8	88.2	89.3	88.7	177.2	160.6 (10/1)	81.6 (13/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2318.0	2303.1	2309.6	2325.7	2350.1	2608.8	2737.8 (11/5)	2303.1 (12/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1065.09	1065.14	1068.69	1074.19	1088.80	1179.86	1248.79 (11/5)	1065.09 (13/8)	1248.79 (11/5/92)	938.82 (16/1/91)
●Ord. Div. Yield	5.23	5.34	5.31	5.28	5.23	4.68				
●Earning Yld %(full)	7.62	7.64	7.59	7.55	7.47	7.75				
●P/E Ratio(Net)(*)	16.58	16.52	16.62	16.72	16.90	16.06				
SEAQ Bargns 5.00pm	17,071	16,408	18,624	15,921	19,875	26,410				
Equity Turnover(£m)†	-	699.6	1090.8	698.9	1044.9	1020.8				
Equity Bargains†	-	18,190	20,227	18,350	23,495	25,897				
Shares Traded (mil)†	-	359.0	471.7	297.1	450.8	549.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Nil 15.43.

Ordinary Share Index, Hourly changes Day's High 1729.9 Day's Low 1707.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1715.5	1712.5	1711.7	1718.2	1725.3	1726.3	1729.0	1727.5	1724.5

FT-SE 100, Hourly changes Day's High 2323.7 Day's Low 2293.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2302.8	2300.7	2298.6	2306.7	2315.5	2319.0	2322.4	2321.0	2319.0

FT-SE Eurotrack 200, Hourly changes Day's High 1067.32 Day's Low 1056.60

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1056.60	1058.07	1059.45	1062.34	1064.66	1065.98	1066.06

GILT EDGED ACTIVITY

Indices*	Aug 12	Aug 11
Gilt Edged Bargains	83.0	88.6
5 – Day average	78.1	76.8

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

SE to hold trading inquiry

AN INQUIRY is to be held by the Stock Exchange into dealings yesterday in Sears shares after the stores group was the victim of an anonymous note sent to the offices of many institutions and brokers. The one-sheet note made a series of allegations about the financial state of the company and its relations with its bankers, raised doubts over the dividend, and suggested the shares should be traded down to 35p.

Analysts were quick to rebut the criticisms, but not before the shares had retreated in busy trading early in the session. Opening at 67p, the shares slipped to 62p within half an hour as word spread of the anonymous letter.

However, closer inspection of the mysterious document raised suspicion that a bear raid was being attempted, and the share price recovered.

Mr Andy Hughes at Nomura said: "Worries over the dividend and aspects of trading are not new but are already in the price, which at this level looks reasonably good value." Kleinwort Benson, the company's broker, described the notes as "cheap and nasty" and not worth further comment. Sears shares closed at 67p, unchanged on the day after hefty volume of 12m.

Waters firmer

The publication of the discussion document from Ofwat on quality costs in the water industry was greeted with a huge sigh of relief by the market and shares in the sector were marked up accordingly. Analysts pointed to a number of positive points, principally that the large capital expenditure programme after 1994 will enable the industry to maintain positive dividend growth and argue for higher prices.

However, others were more bearish. County NatWest pointed out that Ofwat's indication of keeping down the "K" factor – the level above inflation that prices can be set – could mean water companies having to find more money from the balance sheet.

But Dr Angela Whelan at BZW argued that water companies would have scope to fund extra capital expenditure from cost savings and some reduction in the rate of return. Smith New Court and County said that the best placed companies were those with big investment programmes after 1995, namely South West, Anglian and North West. Among the main movers yesterday, Severn Trent rose 12 to 392p, Welsh 14 to 429p and Yorkshire 20 to 438p.

Vodafone pleases

The price restructuring plan proposed by Vodafone was welcomed by the market which saw it as a positive move to combat its cellular rival, Cellnet, without provoking a price war. Vodafone proposed to reduce rental rates but increase call charges at peak times in an attempt to attract new customers, mainly from the domestic market. The company estimates the new measures will cost £5m this year and £10m in 1993. The shares gained 5 to 317p.

Barclays setback

Bearish comment from one securities house lay behind a sharp fall for Barclays which closed 12 lower at 290p on busy turnover of 9.2m shares.

S.G. Warburg Securities reminded clients of the bank's comments last week that bad debt ratios would deteriorate and that the final dividend depended on the state of the economy. Warburg said the comments meant profit expectations would be very low over the next two years and that the dividend might be cut. Barclays held its first-half dividend unchanged at 9.15p when it announced half-year results last week.

BP nerves

An unimpressive performance from British Petroleum (BP) shares may be taken further today when the market digests disappointing news on the new Columbian oil field in which BP has a 40 per cent stake.

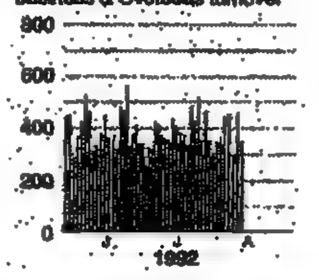
Last night, the first official reserve estimate stated that Cusiana contains 700m barrels of crude oil. Analysts said that although this report reflects only initial surveys, it is certain to be a disappointment for BP. The announced figure is below even the most conservative forecasts from market analysts of around 1bn barrels. The shares, restrained by lack of interest from the US fell 1½ to 187½p on heavy volume.

Insurance brokers were under pressure ahead of results next week. Analysts believe that soft US insurance markets and a weak dollar will push down first half profit figures from the two largest brokers, Sedgwick and Willis Corroon. Sedgwick slumped 17 to 141p and Willis slid 9 to 179p. Both depend heavily on the US market, with around 50 per cent of their earnings in dollars.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Royal Insurance closed unchanged at 165p after announcing it had cut its first-half loss to £79m, in line with expectations, from £97m last year.

A return of takeover speculation boosted Lasmo by 10½ to 147p on heavy turnover of 10m shares. French group Total was linked to the UK oil exploration group but the rumours were not widely believed and increasing Middle East tension was also a factor.

The prospect of an amicable settlement between Eurotunnel and TML, the tunnel's constructor, in their dispute over costs continued to boost Eurotunnel's shares. They added 10 to 335p.

Engineering group Glynwed International shrugged off recent gloom as the market greeted with relief its 46 per cent improvement in interim figures, at the top end of expectations.

The shares jumped 13 to 196p on though turnover at 1.6m was average with renewed confidence that the company would post a covered dividend this year. Worries over the dividend have been responsible for Glynwed's recent poor performance.

Motor dealer Henlys gained 6 to 75p after predator T. Cowie improved its hostile bid to £30.3m, valuing each Henlys share at 80p. Cowie ended unchanged at 115p.

Negative comment after Wednesday's results from Queens Moat sent the shares reeling further. After an 8p fall on Wednesday, they shed another 6 to 51p in turnover of 22m, to make it the most actively-traded stock in the market.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price

■ Other market statistics, Page 16.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	[illegible]	[illegible]	[illegible]	Comm Union	1,900	458	+15	Lonrho	514	78	+3	Shell Transport	4,100	455	+5
ASDA Group	7,000	[illegible]	[illegible]	Cookson	[illegible]	138	+2	Lucas	193	102		Siebe	[illegible]	[illegible]	+1
[illegible]															
Cable & Wire	1,700	595	-1	Legal & General	678	309	+5	Scottish Power	2,000	187½	+4½	Willis Corroon	[illegible]	179	-9
Cadbury Schweppes	2,400	442	-13	Lloyds Abbey	394	324	+2	Sears	12,000	67		Wimpey	38	108	
Calor Group	15	172		Lloyds Bank	[illegible]	378	+5	Sedgwick	1,000	141	-17	Wolseley	120	321	-2
Carlton Comms.	707	[illegible]	+6	LASMO	10,000	147	+10½	Seeboard	123	307	+6	Yorkshire Elect.	[illegible]	337	+7
Coats Viyella	909	164		London Elect.	719	[illegible]	+7	Severn Trent Water	1,900	392	+12	Yorkshire Water	780	438	+20

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE RELEASE of figures showing a rise in industrial production, coupled with a feeling that recent falls had been overdone, helped reverse the recent decline in stock index futures, writes Joel Kibazo.

Having opened at a poor 2,299 the early trading in the September contract on the FT-SE continued dull for the first few minutes as a large securities house completed a sell order started on Wednesday. Many traders were, at this stage, left with the impression that another dull session was in store.

However, with the sell order completed, dealers were keen to cover short positions which helped September regain momentum. The release of favourable industrial production data boosted the contract and it moved gently forward to reach 2,338, the high point of the day by 2pm. Then, early reverses on Wall Street led to more selling, which caused a retreat in the contract. September closed at 2,329, up 28 on Wednesday's close, and around its fair value premium to cash of about 12. Turnover at 10,907 was reasonable.

The traded options saw a slight improvement in turnover at 25,593 lots with the FT-SE 100 index option trading 11,317 contracts.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Aug 13 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Aug 12 Index No.	Tue Aug 11 Index No.	Mon Aug 10 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	701.85	+0.2	8.40	6.39	15.23	21.23	700.44	700.58	705.43	849.98
2	Building Materials (23)	720.83	+0.8	7.56	7.76	17.98	26.43	715.10	713.03	713.41	1075.39
3	Contracting, Construction (27)	567.75	+0.3	6.17	10.55	35.28	25.20	566.11	556.45	555.74	1157.51
4	Electricals (9)	2042.04	+0.9	8.44	7.36	15.34	72.04	2023.99	2009.56	2042.08	2464.50
5	Electronics (27)	1859.64	-0.2	8.63	4.63	14.45	45.74	1862.63	1858.44	1864.56	1742.65
6	Engineering-Aerospace (6)	295.12	-0.6	12.34	8.83	10.25	11.27	297.04	301.52	301.30	424.44
7	Engineering-General (43)	427.19	-0.4	9.51	5.64	13.15	12.47	428.90	426.68	423.00	468.98
8	Metals and Metal Forming (7)	275.65	+1.6	6.23	7.99	23.47	7.18	271.26	275.13	275.98	449.50
9	Motors (14)	304.16	+0.1	8.83	7.75	14.91	12.25	303.75	304.03	307.38	358.78
10	Other Industrial Materials (19)	1530.73	+0.2	8.09	5.42	14.88	38.28	1527.02	1533.21	1563.14	1628.69
21	CONSUMER GROUP (191)	1479.69	+0.6	8.26	3.89	14.86	27.61	1471.25	1480.58	1494.93	1543.75
22	Brewers and Distillers (25)	1898.73	+0.4	8.76	3.85	13.77	37.45	1891.60	1921.11	1926.64	1886.74
25	Food Manufacturing (19)	1143.10	+0.2	9.44	4.62	13.10	26.01	1140.66	1145.15	1158.36	1211.21
26	Food Retailing (18)	2641.41	+1.4	9.23	3.45	14.12	44.92	2603.77	2617.54	2639.40	2648.22
27	Health and Household (24)	3702.79	+0.7	7.49	2.89	15.21	42.42	3675.22	3691.84	3737.79	3685.84
29	Hotels and Leisure (18)	990.98	-1.4	8.10	6.91	16.03	36.54	1005.03	1021.57	1032.17	1352.43
30	Media (27)	1394.65	+0.5	7.25	3.78	17.17	29.47	1387.63	1396.22	1413.47	1465.88
31	Packaging, Paper & Printing (17)	709.91	+0.5	7.26	4.65	16.70	15.69	706.05	707.97	714.54	754.87
34	Stores (34)	926.90	+1.0	8.13	4.03	16.26	16.98	917.39	914.69	925.00	1006.70
35	Textiles (9)	582.26	-0.1	8.33	5.32	14.95	15.02	582.95	584.38	594.95	607.09
40	OTHER GROUPS (117)	1171.68	+0.9	10.62	5.64	11.73	35.65	1160.77	1161.30	1170.98	1279.30
41	Business Services (17)	1197.23	+0.9	7.02	4.31	17.40	21.09	1186.41	1192.49	1203.81	1383.53
42	Chemicals (22)	1287.13	+0.4	7.58	5.65	16.38	45.57	1282.07	1291.90	1301.70	1454.05
43	Conglomerates (10)	1156.66	+0.9	10.80	8.11	11.60	24.98	1146.62	1159.17	1173.87	1504.92
44	Transport (14)	2166.39	+0.3	9.11	5.45	13.53	55.92	2160.26	2162.53	2189.78	2288.92
45	Electricity (16)	1289.46	+1.4	15.38	5.69	8.23	44.58	1272.06	1265.09	1264.91	1217.38
46	Telephone Networks (4)	1359.79	+0.7	11.12	4.86	11.72	46.15	1350.02	1344.19	1351.85	1526.79
47	Water (11)	2749.64	+3.8	16.29	6.29	6.79	86.85	2648.57	2603.37	2663.89	2416.10
48	Miscellaneous (23)	1859.27	+0.4	7.14	5.45	17.59	54.03	1852.07	1865.18	1878.99	2033.42
49	INDUSTRIAL GROUP (483)	1186.51	+0.6	9.05	4.89	13.73	29.03	1179.11	1183.09	1193.45	1290.51
51	Oil & Gas (17)	1783.85	+0.6	8.49	6.84	15.41	68.79	1773.55	1770.65	1756.73	2415.34
59	500 SHARE INDEX (500)	1244.60	+0.6	8.99	5.08	13.88	32.22	1236.90	1240.45	1249.28	1387.28
61	FINANCIAL GROUP (84)	656.42	+0.5	-	6.89	-	25.18	653.32	651.74	654.61	834.73
62	Banks (9)	878.84	......	7.29	6.27	19.76	36.70	878.52	877.49	879.59	971.20
65	Insurance (Life) (6)	1352.04	+0.9	-	6.59	-	44.26	1339.82	1327.75	1352.92	1611.66
66	Insurance (Composite) (7)	453.49	+2.8	-	7.67	-	13.46	441.30	436.73	436.56	677.65
67	Insurance (Brokers) (10)	663.84	-5.0	11.68	9.78	11.27	31.02	698.52	708.69	712.88	1178.96
68	Merchant Banks (7)	405.31	+0.1	-	5.33	-	12.37	404.81	405.77	407.84	430.26
69	Property (30)	511.89	+1.9	11.71	8.92	11.46	20.85	502.17	502.07	503.34	932.02
70	Other Financial (15)	221.97	-0.5	8.28	7.79	16.34	6.63	223.10	223.30	224.42	255.10
71	Investment Trusts (70)	1046.94	+0.1	-	4.29	-	22.04	1045.70	1049.96	1058.03	1230.84
99	ALL-SHARE INDEX (654)	1103.70	+0.6	-	5.29	-	30.07	1097.21	1099.67	1107.15	1252.61

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 12	Aug 11	Aug 10	Aug 7	Aug 6	Year ago
FT-SE 100 SHARE INDEX‡	2318.0	+24.9	2323.7	2293.2	2303.1	2309.6	2325.7	2350.1	2377.6	2617.2

FIXED INTEREST

	PRICE INDICES	Thu Aug 13	Day's change %	Wed Aug 12	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (23)	121.08	-0.04	121.13	1.85	8.08
2	5-15 years (25)	136.06	-0.16	136.48	1.84	8.74
3	Over 15 years (8)	147.73	-0.18	148.00	2.04	7.62
4	Irredeemables (6)	166.06	-0.14	166.29	2.97	7.34
5	All stocks (62)	133.94	-0.13	134.22	1.89	8.54
	Index-Linked					
6	Up to 5 years (2)	170.91	-0.10	171.07	-0.05	3.25
7	Over 5 years (10)	148.58	-0.19	148.87	0.70	3.09
8	All stocks (12)	150.48	-0.18	150.75	0.60	3.08
9	Debs & Loans (62)	119.34	-0.20	119.59	2.87	6.83

	AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 13	Wed Aug 12	Year ago (approx.)
	British Government				
1	Low	5 years	8.69	8.65	8.91
2	Coupons	15 years	8.99	8.97	9.71
3	(0%-7¾%)	20 years	8.99	8.97	9.71
4	Medium	5 years	9.56	9.52	10.06
5	Coupons	15 years	9.21	9.18	9.88
6	(8%-10¾%)	20 years	9.13	9.10	9.83
7	High	5 years	9.78	9.75	10.24
8	Coupons	15 years	9.42	9.39	10.00
9	(11%-)	20 years	9.31	9.29	9.91
10	Irredeemables		9.25	9.24	9.93
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.44	4.40	4.24
12	Inflation rate 5%	Over 5yrs	4.57	4.55	4.40
13	Inflation rate 10%	Up to 5yrs	3.74	3.70	3.35
14	Inflation rate 10%	Over 5yrs	4.40	4.38	4.22
15	Debs &	5 years	10.83	10.74	11.73
16	Loans	15 years	10.57	10.53	11.50
17		25 years	10.42	10.40	11.32

‡Opening index 2302.8; 9 am 2300.7; 10 am 2298.6; 11 am 2306.7; Noon 2315.5; 1 pm 2319.0; 2 pm 2322.4; 2.30 pm 2322.5; 3 pm 2321.0; 4.10 pm 2318.3; (a) 2.45pm (b) 8.39am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2523.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (6). BREWERS (1) Bulmer, MEDIA (2) CIA, Metal Bulletin, MOTORS (1) Trimoco, MINES (1) Forsyth.
NEW LOWS (298). AMERICANS (3) Aeddahl, Bethlehem Steel, Honeywell, CANADIANS (3) BC Gas, Can. Pacific, TVX Gold, BANKS (5) Abbey Natl., [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
13½pc 1992		100⅞	—	102⅛	100⅞	13.46	10.00
Treas 8¾pc 1993		[illegible]	—	[illegible]	97[illegible]	8.21	9.72
10pc 1993‡‡		[illegible]	—	100½	99[illegible]	10.00	9.96
12½pc 1993‡‡		102¼	—	[illegible]	101[illegible]	[illegible]	9.98
Funding 6pc 1993‡‡		[illegible]	—	97[illegible]	95[illegible]	4.19	9.03
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		104[illegible]	[illegible]	107[illegible]	101[illegible]	[illegible]	[illegible]
Conversion 10¼pc 1999		103[illegible]	[illegible]	105[illegible]	100[illegible]	[illegible]	9.53
9pc 2000‡‡		98[illegible]	-⅛	100[illegible]	94[illegible]	9.17	9.35
Treas 13pc 2000		117[illegible]	[illegible]	121[illegible]	114[illegible]	11.06	9.76
10pc 2001		101[illegible]	[illegible]	104[illegible]	99[illegible]	9.79	9.45
14pc '98-01		117[illegible]	[illegible]	121	115[illegible]	11.87	9.84
9¾pc 2002		102[illegible]	[illegible]	105[illegible]	98[illegible]	9.54	9.39
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Index – Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	128[illegible]	-¼	127⅝	122[illegible]	2.86	4.33
2pc '96	(67.9)	181[illegible]	[illegible]	184[illegible]	178[illegible]	3.88	4.49
2½pc '01	(78.3)	144[illegible]	-¼	148[illegible]	143	4.44	4.75
2½pc '03	(78.8)	140[illegible]	-¼	144[illegible]	138[illegible]	4.46	4.73
2pc '06	(69.5)	142[illegible]	-¼	147[illegible]	139[illegible]	4.46	4.87
[illegible]							

LEGAL NOTICES

Company No 2013988. Registered in England and Wales

ELLIS SON & VIDLER LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Stakis Country Court Hotel, Bearsted Road, Maidstone, Kent on 28 August 1992 at 11 a.m. for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver(s) under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if: (a) they have delivered to me at Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ, no later than noon on 27 August 1992, written details of the debts they claim to be due to them from the Company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) there has been lodged with me/us any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated 12th August 1992

Signed N J Vaught, Joint Administrative Receiver

In the High Court of Justice No. 006727 of 1992 Chancery Division

In the Matter of THE CITY BAG STORE LIMITED and in the Matter of THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 6th July 1992 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 14th day of October 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 11th day of August 1992

Clintons, Wellington House, 6/9 Upper St Martin's Lane, London WC2H 9DF

Ref: JHS/GAH/C100515

Solicitors for the above-named Company

PERSONAL

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	15¾xd	-⅛	19⅛	14⅝	13,382	2.0
♥Allegheny & W		305p	-13	330p	225p	168.5	5.2
Amdahl		687p	-8	1169p	687p	785.7	0.8
Amer Cyanamid		31⅝	-⅛	37	29⅝	2,890	2.7
Amer Express		11⅞xd	-	13⅞	10[illegible]	5,491	4.6
Amer T & T		22[illegible]xd	-[illegible]	24⅞	20⅛	29,026	3.1
Ameritech		35⅛	+⅛	36[illegible]	32½	15,652	5.2
BankAmerica		23⅝xd	-	27⅛	19[illegible]	8,183	2.9
Bankers NY		32½xd	+[illegible]	37⅛	28⅞	2,680	4.1
Bell Atlantic		24⅛	-	28⅛	23⅛	10,694	5.5
BellSouth		27⅛	+⅛	29⅛	25	13,322	5.3
♥Bethlehem Steel		6½xd	-⅛	9⅝	6½	574.8	-
Bowater		1018pxd	-9	1579p	1018p	367.1	6.2
CPC	h	25[illegible]xd	+[illegible]	26⅛	22⅛	3,890	2.4
♥Cadiz Land Inc		156p	+14	342p	142p	-	-
California Engy		620p	-	638p	599p	114.8	-
Campbell Soup		19⅝xd	+[illegible]	23[illegible]	17⅛	4,828	2.1
Chase Manhattan		12[illegible]xd	-[illegible]	18⅛	9⅛	1,740	5.1
Chrysler		11⅛xd	-	11⅛	6⅛	3,249	2.8
Citicorp		9⅝xd	-⅛	11⅛	5⅛	3,376	-
Colgate-Palm		27⅝xd	-	29[illegible]	25⅛	4,386	2.4
Cont'l Bank		914p	+4	1000p	499p	923.8	3.4
Dana		20[illegible]xd	-[illegible]	24½	14[illegible]	698.6	4.1
Data General		396p	-13	1084p	398p	169.3	-
♥Decora Inds		112p	-9	122p	68p	-	-
Dun & Brad		29⅛	-⅛	33½	27⅛	5,241	4.1
Eaton		40⅛	+⅛	46½	32½	1,308	2.9
Ecolab		9[illegible]xd	-[illegible]	11	7⅛	553.5	3.7
FPL		19⅝xd	-	20	16⅛	3,561	6.5
Fluor		20½	+[illegible]	27	19⅛	1,682	1.0
Ford Motor		21⅛xd	-⅛	26⅛	15	10,317	2.5
Gen Elect		39⅛xd	-⅛	46⅛	36[illegible]	33,[illegible]	3.2
♥General Host		481p	-	535p	360p	-	3.9
[illegible]		[illegible]					

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible] The symbols are as follows: [illegible] 0001 to 1100 hours; [illegible] 1101 to 1400 hours; [illegible] 1401 to 1700 hours; [illegible] 1701 to midnight. [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Save & Prosper Unit Trust Mngrs Ltd (1200)H

Scottish Unit Tst Mngrs Ltd (1200)F

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)H

T.U. Fund Managers Ltd (1200)H

Target Trust Mngrs Ltd (1200)F

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)H

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

United Charities Unit Trusts (1000)H

Waverley Unit Tst Mngmt Ltd (1000)F

Wessex Asset Management (1400)F

Whittingdale Unit Tst Mgmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd.

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

Abbey Life Assurance Co Ltd

Aetna Life Assurance Co Ltd

AEGON Life Assurance Co (UK) Ltd

AEtna Life Assurance Co Ltd (c)

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Insurance Co UK

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Ltd

Canada Life Group

Cannon Assurance Ltd (c)

Century Life Plc

Century Life Plc—Contd.

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assur. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Assurance

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Britannia Assce Co Ltd—Contd.

NEL Pensions Ltd

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Norwich Union Pensions Management Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charinco/Charishare

CAFINVEST—Charities Aid Foundation

COIF—Charities Official Inv Fd

Charity Fixed Int Fd/Charity Equity Fd

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Fledgeling Charity Portfolio

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or –	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
[illegible]	135.9	143.1	+0.1	–
Property Acc. (Gross)	259.0	272.6	+0.1	–
Equity (Gross)	791.9	833.5	-9.3	–
[illegible]	567.3	597.2	-4.6	–
[illegible]	123.8	130.3	+0.1	–
Equity (Net)	185.4	195.2	-1.9	–
Adventurous Managed	86.8	91.4	+0.1	–
Managed (Net)	175.6	184.8	-1.9	–
Cautious Managed	95.7	100.7	+0.1	–
International (Net)	148.4	156.2	-0.7	–
Gilt & Fixed Interest	140.6	148.1	-0.5	–
Money Fund	141.0	148.4	...	–
Mixed Fund (Cap)	111.5	117.4	...	–
Mixed Fund (Acc)	116.2	122.4	...	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	611.7	643.9	-9.8	–
Ret Man (Series 2)	207.4	218.4	-1.1	–
Ret Cash	199.4	209.8	...	–
Pens Mixed Fd (Cap)	123.0	129.5	...	–
Pens Mixed Fd (Acc)	128.1	134.9	...	–
Pens Stlg Fd (Cap)	104.2	109.7	...	–
Pens Stlg Fd (Acc)	108.6	114.4	...	–
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	121.0	128.0	-1.0	–
Building Soc. Fd	224.0	236.0	...	–
Balanced	250.0	264.0	-1.0	–
European	197.0	208.0	...	–
GT Managed	173.0	183.0	...	–
Gartmore Magd	115.0	122.0	...	–
German	124.0	131.0	...	–
[illegible]	167.0	176.0	...	–
Global	35.0	37.0	-1.0	–
International Equity	179.0	189.0	...	–
Japan	132.0	139.0	...	–
Leisure	48.0	51.0	...	–
Managed	39.0	42.0	-1.0	–
Property	300.0	316.0	...	–
UK Equity	227.0	239.0	-1.0	–
Pension Funds				
American	236.0	249.0	-1.0	–
Building Soc. Fd	241.0	254.0	...	–
[illegible]	210.0	222.0	...	–
[illegible]	217.0	229.0	...	–
German	123.0	130.0	...	–

	Bid Price	Offer Price	+ or –	Yield Gross
Provident Mutual Life Ass. Assn.—Contd.				
Pension Funds				
Managed Ord	[illegible]	456.9	+0.3	–
Managed Init.	315.5	[illegible]	+0.2	–
Equity Ord	657.1	691.7	+2.9	–
Equity Init.	477.5	[illegible]	+1.9	–
Pen Ind Lkd Gilt Ord	185.2	194.9	-0.3	–
Pen Ind Lkd Gilt Init.	140.6	[illegible]	-0.2	–
Overseas Equity Ord	270.3	284.5	-1.2	–
Overseas Equity Init.	196.4	206.7	-1	–
Property Ord.	281.3	[illegible]	–	–
Property Init.	204.4	215.2	...	–
Fixed Interest Ord	290.1	305.4	-1.1	–
Fixed Interest Init.	210.8	[illegible]	-0.8	–
Deposit Ord.	[illegible]	286.0	+0.1	–
Deposit Init.	197.5	207.9	+0.1	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Aug 5	239.5	249.5		–
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3201				
Prudential Managed Funds				
Discretionary Aug 12	£172.27	177.68	-4.62	–
Equity Aug 12	£195.11	201.77	[illegible]	–
International Aug 12	£24.58	25.25	-0.59	–
Ind Bond Aug 12	£14.29	14.46	+0.09	–
Fixed Int Aug 12	£105.37	106.56	[illegible]	–
Index Linked Aug 12	£75.61	76.56	+0.47	–
Property Aug 12	£110.17	116.23	[illegible]	–
Cash Aug 12	£31.1937	31.1937	+0.0048	–
Pru-Linked Retirement Plan				
Managed Aug 11	412.5	429.7	...	–
Cash Aug 11	286.0	297.9	...	–
Prudential Pensions Investment Account				
Pens Mngd Aug 13	165.8	178.2	...	–
Pens UK Eq Aug 13	288.1	310.5	...	–
Pens Intl Aug 13	180.7	193.7	...	–
Pens Global Eqty Aug 13	91.3	96.2	...	–
Pens Fixed Aug 13	239.8	251.1	...	–
Pens Index Lk Aug 13	192.9	203.7	...	–
Pens Property Aug 13	89.9	94.7	...	–
Pens Cash Aug 13	186.4	[illegible]	...	–
Money Purchase Plan				
Discretionary Aug 13	91.8	98.5	+0.1	–
Equity Aug 13	94.9	102.0	+0.6	–
International Aug 13	78.3	83.6	-1.1	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

حكمنا من الأصل

طراف الكامل

FT MANAGED FUNDS SERVICE

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GUERNSEY (REGULATED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Aetna Malaysian Growth Fd (Cayman) Ltd				
NAV Aug 10		$9 2781		-
Alliance Capital				
International	$13 65	14 44	-0 03	-
International Class B	$13 48	13 48	-0 03	-
Quasar	$19 84	20 99	0 09	-
Quasar Class B	$19 59	19 59	-0 09	-
Global Small Cap	$9 65	10 21	-0 04	-
Global Small Cap Class B	$9 53	9 53	-0 03	-
Canadian Fd	$5 02	5 31	-0 06	-
Alliance International Currency Reserves				
US$ Reserves Aug 6	12 0 0000601	19 12		
Asian Convertibles & Income Fd (Cayman)				
NAV Aug 13		$10 25	-0 03	-
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Aug 6		$6 41		-
BEA Associates				
Sth America NAV Aug 6		$2 44		-
Mexico Loc Assets Aug 10		$11 8578		-
Argentina Debt Fd Aug 1		$12 90		-
BEA Emerging Latin Am Ser		$12 35		-
BEA Europe Intl Ltd Jul 31		$84 91		-
Julius Baer Bank & Trust Co Ltd				
Liquibaer	$2152 00	2153 00		-
Julius Baer Multistock				
Emerging Europe	83 2	83 31		-
Bque Fr Serv & Cr/Europ Inv Mgt Ltd				
Latin Am Class A Jul 31		$9 23	+0 14	-
Latin Am Class B Jul 31		$9 23	+0 14	-
Asia Class A Jul 31		$10 04	-0 29	-
Asia Class B Jul 31		$10 04	-0 29	-
Global Class A Jul 31		$9 57	-0 17	-
Global Class B Jul 31		$9 57	-0 17	-
Baring International Group				
Korea Fd	$5 43	5 70		-
Puma Fd NAV Aug 7		$20 70		-
Chrysalis (dil) Aug 7		$7 54		-
Chrysalis (undil) Aug 7		$7 63		-
The Batavia Fund Ltd				
NAV Aug 7		$8 84		-
Bermuda Intl Invmnt Mgmnt Ltd				
Anchor Intl (z)	$18 65	18 66		1 19
Formland	$8 33	8 50		-
Bda Intl Currency	$17 75	17 93		-
Jap Ovsa Spcl Situ	$8 94	9 13		-
Intl (US Dollar) Cap	$38 81	39 21		-
Intl (US Dollar) Inc	$10 47	10 59		-
Intl (ECU) Cap	Ecu11 03	11 15		-
Intl (ECU) Inc	Ecu10 20	10 31		-

	Bid Price
Global Asset Management	
GAMerica	$315 19
GAM Arbitrage	$308 87
GAM ASEAN	$234 98
GAM Australia	$136 44
GAM Boston	$317.86
GAM European	$106 30
GAM Europe Fd	$80 57
GAM France	FFr1617 72
GAM Franc-Val SFr	SFr149 34
GAM GAMCO Fund Inc	$153 21
GAM Global Fd	$113 05
GAM High Yield	$132 81
GAM Hong Kong	$381 58
GAM International Fd	$158 66
GAM Japan	[illegible]
GAM Nth America Fd	$133 72
GAM Money Mkt US$	$100 36
Do Sterling	£101 17
Do Swiss Fr	SFr100 93
Do Deutschmark	[illegible]
Do Yen	Y10036
GAM Multi-Mngr-Allocn	$120 14
GAM Multi-Mngr-Gen Eq	$124 27
GAM Multi-Mngr Trading	$130 01
GAM Multi-Mngr Deferred	$116 78
GAM Multi-Mngr Euro	$102 03
GAM Non-Mngr Euro DM	95 01
GAM Multi-Mngr Euro Mix	$94 97
GAM Multi-Mngr Fut	100 15
GAM Overseas	$139 40
GAM Pacific	$540 50
GAM Pacific Basin Fd	$124 28
GAM Selection	$499 52
GAM Singapore/Malaysia	$248 89
GAM SFr Special Bond	SFr104 31
GAM Tyche	$270 14
GAM U S	$225 72
GAM US Investments	$544 99
GAM Value	$93 69
GAM Whitethorn	$168 44
GAM Worldwide	$370 63
GSAM Composite	$257 15
GAM Bond $ Ord	$139 45
GAM Bond $ Special	$159 18
GAM Bond SwFr	SFr86 50
GAM Bond Yen	Y13328
GAM Bond DM	DM102 01
GAM Bond £ Stlng	£135 63
GAM (CH) Mondial	SFr1226 97
GAM (CH) America	SFr1793 68
GAM (CH) Pacific	SFr1623 42
GAM (CH) Europe	SFr74 80
GAM Stlg Special Bond	£112 11
Global Government Plus Fund	
c/o Prudential-Bache Secs (UK) Inc	
NAV Jul 31 US$8 12 59 60	

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Fed watches the dollar slide

THE DOLLAR again threatened to drop to its all-time low against the D-Mark yesterday, but central banks did not intervene to support the US currency, *writes James Blitz.*

After opening at around DM1.4680 in European trading, the dollar fell through the DM1.4610 level at which the Federal Reserve and European banks had extensively intervened on Monday. It closed in Europe at DM1.4590, but in later American trading it was falling further to DM1.4540.

The dollar was partly weighed down by poor US indicators. The retail sales figure for July was up 0.5 per cent, and the June figure was revised down to a fall of 0.3 per cent from a rise of 0.5 per cent. But analysts pointed to more fundamental reasons for dollar weakness: the fear of higher German rates and the belief that central bank intervention to support the dollar is proving increasingly tricky.

Dealers believe that another rise in the German Lombard rate is possible, widening the differential with short-term US rates. The Bundesbank's withdrawal of funds from the German money market in its intervention on Wednesday pushed call money up to the Lombard rate level, which has clearly worried the market. One London analyst said that a big test now is how the Bundesbank reacts to the forthcoming figure for 2nd Quarter GDP, which could show a drop of between ½ per cent and 1 per cent. "If the Bundesbank keeps call money tight, it will show that the risk of recession is still not forcing them to cut rates," he said.

There is a feeling, too, that central bank intervention cannot easily turn the market. Some dealers doubt the Bundesbank's commitment to buy dollars and sell D-Marks, because this will exacerbate its money supply problems. Others believe that intervention can only work when the economic fundamentals favour the currency that is being supported. As they say in the US markets: "You cannot stop the dollar on a dime."

Fears of a German rate rise took their toll in Europe. The pound was not saved by better-than-expected economic indicators, and closed at a new 27-month low against the German currency of DM2.8170. The possibility of heavy intervention to support the currency is increasing: one analyst warned yesterday that the Bank of England will soon come out "with guns blazing."

The Italian lira fell sharply against the D-Mark to L759.3 after a previous close of L758.0. The lira's difficulties were compounded by Moody's rating agency, which announced a two-notch downgrade in Italy's foreign currency credit rating. The French franc fell to a 5-month low against the D-Mark, closing at FFr3.392 from FFr3.390.

£ IN NEW YORK

Aug 13	Latest	Previous Close
£ Spot	1.9325-1.9335	1.9300-1.9310
1 month	1.10-1.08pm	1.08-1.05pm
3 months	3.26-3.23pm	3.22-3.19pm
12 months	11.9-11.8pm	11.8-11.7pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

Hong Kong	14.9110 - 14.9245	7.7315 - 7.7325
Iran	2775.00*	1435.00*
Korea(Sth)	1510.40 - 1534.75	786.50 - 792.70
Kuwait	0.55630 - 0.56730	0.29410 - 0.29440
Luxembourg	58.00 - 58.10	30.00 - 30.10
Malaysia	4.8125 - 4.8245	2.4985 - 2.4995
Mexico	5785.50 - 5798.15	3072.00 - 3073.00
N.Zealand	3.5920 - 3.5960	1.8615 - 1.8640
Saudi Ar.	7.2505 - 7.2575	3.7495 - 3.7505
Singapore	3.1030 - 3.1100	1.6095 - 1.6105
S.Af (Cm)	5.3355 - 5.3480	2.7645 - 2.7665
S.Af (Fn)	7.1730 - 7.2135	3.7175 - 3.7385
Taiwan	48.45 - 48.65	25.10 - 25.20
U.A.E.	7.0310 - 7.1080	3.6715 - 3.6735

*Floating rate Iran Official rate £121.90 $63.40

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 13	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.341	-2.46	6.16	42
Portuguese Escudo	178.735	174.475	-2.38	6.07	38
Belgian Franc	42.4032	41.9381	-1.10	4.69	36
D-Mark	2.05586	2.03566	-0.98	4.57	40
Dutch Guilder	2.31643	2.29469	-0.94	4.52	28
Irish Punt	0.767417	0.766899	-0.07	3.61	-13
Danish Krone	7.84195	7.84825	0.08	3.46	-20
French Franc	6.89509	6.90315	0.12	3.42	-26
Italian Lira	1538.24	1545.50	0.47	3.05	-41
Sterling	0.696904	0.721568	3.54	0.00	-69

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Aug 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Dutch Guilder	9⅞ - 9¾	9⅞ - 9¾	9⅝ - 9½	9⅝ - 9½	9⅞ - 9¾	9½ - 9⅜
Swiss Franc	7⅝ - 7½	7⅝ - 7½	8⅛ - 8	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛
D-Mark	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9¾ - 9⅝
French Franc	10⅛ - 9⅞	10⅛ - 9⅞	10¼ - 10	10⅜ - 10¼	10⅜ - 10¼	10⅜ - 10¼
Italian Lira	15 - 13	15 - 14½	15¼ - 14¾	15¼ - 14¾	15¼ - 14¾	15¼ - 14¾
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
Yen	4⅝ - 4½	4½ - 4⅜	4⅛ - 4	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾
Danish Krone	11½ - 11	11¼ - 10¾	11½ - 11	11½ - 11	11½ - 11	11¼ - 10¾
Asian $Sing	¾ - ⅝	¾ - ⅝	1⅞ - 1¾	2⅝ - 2½	2⅞ - 2¾	3 - 3¼
Spanish Peseta	13 - 12½	13 - 12½	13¼ - 13	13⅜ - 13⅛	13⅜ - 13⅛	13⅝ - 13⅜

Long term Eurodollars: two years 4⅜-4¼ per cent; three years 5-4⅞ per cent; four years 5⅜-5¼ per cent; five years 5⅞-5¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug 13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr	Pta	Ecu
£	1	1.931	2.817	245.7	9.555	2.540	3.175	2139	2.302	58.05	180.4	1.384
$	0.518	1	1.459	127.2	4.948	1.315	1.644	1108	1.192	30.06	93.42	0.717
DM	0.355	0.685	1	87.22	3.392	0.902	1.127	759.3	0.817	20.61	64.04	0.491
YEN	4.070	7.859	11.47	1000	38.89	10.34	12.92	8706	9.369	236.3	734.2	5.633
F Fr.	1.047	2.021	2.948	257.1	10	2.658	3.323	2239	2.409	60.75	188.8	1.448
S Fr.	0.394	0.760	1.109	96.73	3.762	1	1.250	842.1	0.906	22.85	71.02	0.545
H Fl.	0.315	0.608	0.887	77.39	3.009	0.800	1	673.7	0.725	18.28	56.82	0.436
Lira	0.468	0.903	1.317	114.9	4.467	1.187	1.484	1000	1.076	27.14	84.34	0.647
C$	0.434	0.839	1.224	106.7	4.151	1.103	1.379	929.2	1	25.22	78.37	0.601
B Fr.	1.723	3.326	4.853	423.3	16.46	4.376	5.469	3685	3.966	100	310.8	2.384
Pta	0.554	1.070	1.562	136.2	5.297	1.408	1.760	1186	1.276	32.18	100	0.767
Ecu	0.723	1.395	2.035	177.5	6.904	1.835	2.294	1546	1.663	41.94	130.3	1

Yen per 1,000; French Fr. per 10; Lira per 1,000; Belgian Fr. per 100; Peseta per 100

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	-	-	-	0.11	0.84	-
105	0.44	1.74	-	0.31	1.21	-
106	0.13	1.20	1.65	0.94	1.68	-
107	0.03	0.81	1.22	-	-	-
108	0.01	0.53	-	2.79	-	-
Open Int.	155,095	248,494	20,880	122,720	101,794	10,025

Estimated volume 50,144 † Total Open Interest 536,088
† All Yield & Open Interest figures are for the previous day.

FT-SE 100 INDEX

	Close	High	Low	Prev.
Sep	2329.5	2339.0	2295.0	2301.0
Dec	2373.0	2379.0	2342.0	2344.5
Mar	2408.5			2380.0

Estimated volume 12467 (9165)
Previous day's open int. 49276 (48102)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth	3-mth	6-mth	12-mth
1.9315	1.9207	1.8991	1.8678	1.8130

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
• Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	• Robert Fleming & Co.	10	• Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	• Guinness Mahon	10	• Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	• Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
• Brown Shipley	10	Heritable & Gen Inv Bnk	10	• United Bk of Kuwait	10
CL Bank Nederland	10	• Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	• Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

• Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Uncertainty remains

STERLING futures dipped yesterday after the pound dropped below DM2.8200 for the first time since Britain joined the Exchange Rate Mechanism. But trading in both the futures and cash markets was thin, and period rates ended the day virtually unchanged from Wednesday night's levels.

The quiet trading of recent days is partly due to the summer holiday. But there is also a determined lack of position-taking in both the cash and futures markets. Uncertainty unites the market more than any other sentiment. Dealers are waiting for the outcome of next month's French referendum on Maastricht, which could blow the ERM apart, and push rates down. They are also uncertain about whether there will be another Lombard rate rise in Germany.

Yesterday's UK economic indicators were mildly encouraging but had no impact on trading. The 29,100 rise in July unemployment was slightly higher than the market had forecast, and manufacturing output rose 0.2 per cent when a fall had been predicted.

Sterling futures dealers were therefore guided by the currency alone. The September contract dropped 8 basis points from its previous close to a low of 89.57, and closed at 89.60. One clearing bank dealer said that this was as low as the contract could dip with base rates at 10 per cent. The September contract would dip to 89.50 if there was the immediate prospect of a ½ percentage point rise in base rates, but dealers would be taking too much of a risk to sell the contract down to that level now.

In the sterling cash market, dealers appeared to be unwilling to offer bills to take out a £700m shortage forecast by the Bank of England. They may have been waiting to push the overnight rate down today, making borrowing conditions cheaper over the weekend.

In the morning, the Bank purchased only £10m in a repurchase agreement, at 9$\frac{15}{16}$ per cent, and the overnight rate responded by moving up to 10¼ per cent. The forecast was later revised to £700m, and the Bank purchased £172m in Band 1 at 9⅞ per cent and £150m in the repo. There was late assistance of £220m. Three-month money closed unchanged at 10¼ per cent on the offered side.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 13) 3 months US dollars		6 months US Dollars	
bid 3$\frac{5}{16}$	offer 3$\frac{7}{16}$	bid 3½	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Treasury Bills and Bonds

Lunchtime					
		One month	3.03	Three year	4.64
		Two month	3.07	Five year	5.50
Prime rate	6	Three month	3.17	Seven year	5.99
Broker loan rate	5½	Six month	3.28	10-year	6.47
Fed.funds	3¼	One year	3.39	30-year	7.32
Fed.funds at intervention	-	Two year	4.13		

Aug 13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.70-9.75	9.70-9.80	9.70-9.80	9.75-9.85	9.75-9.85	9.75
Paris	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	10⅛-10¼	10$\frac{1}{16}$-10$\frac{3}{16}$	9.60
Zurich	7¼-7⅝	7⅞-8⅛	-	8⅛-8⅜	-	-
Amsterdam	9.68-9.75	9.58-9.66	-	9.58-9.66	-	-
Tokyo	4$\frac{5}{16}$-4½	4$\frac{1}{16}$-4$\frac{3}{16}$	-	-	-	-
Milan	14¾-14⅞	15½-15⅝	-	15$\frac{7}{16}$-15$\frac{9}{16}$	-	-
Brussels	9⅝-9¾	9$\frac{9}{16}$-9$\frac{11}{16}$	-	9$\frac{9}{16}$-9$\frac{11}{16}$	-	-
Dublin	10$\frac{1}{16}$-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

Aug 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10¼	9⅞	10$\frac{3}{16}$	10¼	10¼	10⅛
Interbank Bid	9¼	9⅝	9$\frac{15}{16}$	10⅛	10$\frac{1}{16}$	10¼
Sterling CDs	-	-	9$\frac{15}{16}$	10⅛	10$\frac{1}{16}$	10$\frac{1}{32}$
Local Authority Deps	9⅞	9⅞	10$\frac{1}{16}$	10¼	10⅛	10$\frac{1}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10	9¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10	10$\frac{3}{16}$	10¼	10⅜
Treasury Bills (Buy)	-	-	9½	9$\frac{11}{16}$	9⅝	-
Bank Bills (Buy)	-	-	9¾	9¾	9$\frac{11}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.27	3.26	3.30	3.45
SDR Linked Dep Offer	-	-	6$\frac{1}{16}$	6$\frac{1}{16}$	5¾	6$\frac{1}{16}$
SDR Linked Dep Bid	-	-	5$\frac{13}{16}$	6⅛	6⅛	6$\frac{1}{16}$
ECU Linked Dep Offer	-	-	10⅝	10⅝	10$\frac{9}{16}$	10¼
ECU Linked Dep Bid	-	-	10¼	10¼	10$\frac{11}{16}$	10⅝

Treasury Bills (sell): one-month 9$\frac{11}{16}$ per cent; three months 9⅝ per cent; six months 9$\frac{9}{16}$ per cent. Bank Bills (sell): one-month 9$\frac{11}{16}$ per cent; three months 9$\frac{11}{16}$ per cent. Treasury Bills: Average tender rate of discount 9.6202 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31 1992. Agreed rates for period August 26 1992 to September 22 1992, Scheme I 11.27 p.c. Schemes II & III: 11.46 p.c. Reference rate for period July 1, 1992 to July 31 1992, Scheme IV&V: 10.188 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,925 Set by GRIFFIN

ACROSS

1 It's taken by those planning to retire in the near future (8,4)
10 Caught queuing up goes round bend (7)
11 In our game mum provides support (7)
12 Is inclined to stop in back street (5)
13 Tiny particle of copper left Doctor Lee swallowed (8)
15 Those who are late will be put under here (10)
16 Lake in some restful spot (4)
18 Bad-tempered guy staggering around Leatherhead (4)
20 Tried ringing only after the rejected volunteers applied .... (10)
22 .... or having disposed of officer in south of France, answered (8)
24 At about one returning god's crown (5)
26 Wearing English rose takes little girl back (7)
27 Teach me to unscrew knife (7)
28 Before performing in scene open original Christmas gift (12)

DOWN

2 Secular study is included, to be brief (7)
3 Discharge ringleader lacking forgiveness (8)
4 Also encountered the first person climbing (4)
5 Canal boat propellers? (10)
6 That is roll put back in to harden (5)
7 Ease stupid rules about "e" before "i" (7)
8 Made out to be famous (13)
9 Shrewd businessman – one who sells prams? (7-6)
14 Impudence after drinking causes traffic delays (10)
17 Which hinders outside broadcast on ruined castle (8)
19 Steal away from spacecraft ascent (7)
21 Composer in street upset by journey (7)
23 Initially in Berlin, in Zurich and a Spanish island (5)
25 First aid chaps say this when praying (4)

Solution to Puzzle No.7,924

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices August 13

MONTREAL

3:00 pm prices August 13

Total Sales 7,851,400 shares

INDICES

NEW YORK

DOW JONES	Aug 12	Aug 11	Aug 10	Aug 7	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3320.83	3331.10	3337.58	3332.18	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.38	102.40	102.29	102.14	102.40 (11/8)	98.41 (20/3)	102.40 (11/8/92)	54.99 (1/10/81)
Transport	1249.62	1265.33	1273.19	1277.40	1467.68 (20/2)	1249.62 (12/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.45	219.95	220.46	221.08	225.59 (3/1)	200.74 (8/4)	226.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3349.74 (3356.50) Low 3304.89 (3304.35)

STANDARD AND POOR'S

	Aug 12	Aug 11	Aug 10	Aug 7	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.78	418.90	419.42	418.88	425.09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	4.40 (1/6/32)
Industrials	490.33	491.97	492.81	491.63	499.51 (3/8)	470.91 (8/4)	499.51 (3/8/92)	3.62 (21/6/32)
Financial	36.27	36.23	36.16	36.36	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	229.99	230.61	230.86	230.79	233.66 (3/8)	217.92 (8/4)	233.66 (3/8/92)	4.46 (25/4/42)
Amex Mkt. Value	386.46	388.08	388.41	390.13	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	570.85	571.60	573.14	573.74	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Aug 7	Jul 31	Jul 24	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.07	3.17	3.08

	Aug 5	Jul 29	Jul 22	year ago (approx.)
S & P Industrial div. yield	2.59	2.59	2.68	2.68
S & P Indl. P/E ratio	29.34	29.31	28.50	19.62

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Limited	2,654,700	20¼	...
Telefonos	2,173,500	47	- ¼
RJ Nabisco	2,121,700	9	- ¼
Gap	1,948,000	31¼	- 1¼
US Surgical	1,837,700	69¼	- 4¼
Syntex	1,821,500	30⅞	+ 1
Federated DS	1,556,700	14	+ ¼
Navistar	1,445,700	2	...
IBM	1,429,800	88½	+ ½
AMR Corp	1,398,200	58½	- 1¼

TRADING ACTIVITY

† Volume (Millions)	Aug 12	Aug 11	Aug 10
New York SE	176.440	173.810	142.440
Amex	10.232	8.371	8.303
NASDAQ	144.152	145.136	120.453
NYSE			
Issues Traded	2,323	2,335	2,332
Rises	791	787	802
Falls	913	936	933
Unchanged	619	612	597
New Highs	95	84	65
New Lows	40	30	38

CANADA

TORONTO	Aug 12	Aug 11	Aug 10	Aug 7	1992 HIGH	1992 LOW
Metals & Minerals	2948.27	3000.32	3009.25	3021.60	3238.87 (16/1)	2828.26 (8/4)
Composite	3377.80	3404.70	3408.80	3406.30	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1769.15	1787.38	1785.05	1784.78	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 13	Aug 12	Aug 11	Aug 10	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1568.4	1570.7	1587.6	1592.3	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	681.3	686.0	697.0	700.4	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	291.41	292.78	291.70	299.08	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	682.96	686.92	683.45	699.73	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1090.26	1092.47	1114.76	1125.42	1235.40 (2/6)	1090.26 (13/8)
DENMARK						
Copenhagen SE (3/1/83)	293.16	298.20	299.32	302.39	365.29 (15/1)	293.16 (13/8)
FINLAND						
HEX General (28/12/90)	662.7	670.3	668.9	675.3	935.90 (24/2)	662.70 (13/8)
FRANCE						
CAC General (31/12/82)	474.03	477.94	479.41	482.98	555.93 (12/5)	474.03 (13/8)
CAC 40 (31/12/87)	1722.36	1730.05	1737.80	1755.22	2077.49 (11/5)	1722.36 (13/8)
GERMANY						
FAZ Aktien (31/12/58)	607.78	613.60	614.07	628.09	725.26 (26/5)	607.78 (13/8)
Commerzbank (1/12/53)	1716.0	1734.0	1735.4	1775.7	2043.80 (25/5)	1716.00 (13/8)
DAX (30/12/87)	1540.98	1553.01	1564.60	1582.55	1811.57 (25/5)	1540.98 (13/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5857.11	5879.19	5886.75	5867.94	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1230.57	1230.25	1236.34	1240.74	1469.57 (17/1)	1230.25 (12/8)
ITALY						
Banca Com. Ital. (1972)	398.28	401.15	401.49	406.76	551.59 (6/2)	397.73 (30/7)
MIB General (2/1/92)	783.0	789.0	789.0	799.0	1086.00 (5/2)	779.00 (30/7)
JAPAN						
Nikkei (16/5/49)	14768.17	14733.79	14822.56	15066.34	23801.18 (6/1)	14733.79 (12/8)
Tokyo SE (Topix) (4/1/68)	1117.50	1114.02	1126.80	1148.56	1763.43 (6/1)	1114.02 (12/8)
2nd Section (4/1/68)	1530.86	1551.82	1588.49	1612.76	2459.85 (6/1)	1530.86 (13/8)
MALAYSIA						
KLSE Composite (4/4/86)	592.18	594.57	597.80	595.16	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tot Rtn Gen (End 1983)	285.3	285.3	285.3	285.4	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	194.9	194.9	194.9	195.0	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	614.84	616.46	618.99	622.57	772.74 (18/5)	614.84 (13/8)
PHILIPPINES						
Manila Comp (2/1/85)	1491.46	1471.25	1445.67	1445.65	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	370.45	368.19	375.51	(c)	416.99 (21/1)	368.19 (12/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	937.04	980.0	994	1004.0	1327.00 (21/1)	937.00 (13/8)
JSE Industrial (28/9/78)	3997.06	4049.0	4159.0	4167.0	4689.00 (4/6)	3997.00 (13/8)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	488.25	492.66	502.45	507.88	691.48 (8/2)	488.25 (13/8)
SPAIN						
Madrid SE (30/12/85)	205.49	205.76	209.57	213.86	266.51 (28/2)	205.49 (13/8)
SWEDEN						
Affarsvariden Gen. (1/2/37)	816.5	815.9	827.8	834.4	1014.50 (11/5)	815.90 (12/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	833.8	837.5	840.6	838.5	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	624.1	628.0	631.2	631.5	662.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	3893.34	3901.61	3958.28	3951.73	5391.63 (30/1)	3893.34 (13/8)
THAILAND						
Bangok SET (30/4/75)	756.26	(c)	754.84	755.45	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	480.3*	478.9	480.8	484.2	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	818.08	820.94	827.34	835.00	976.55 (25/5)	818.08 (13/8)

**Saturday August 8. Taiwan Weighted Price 4030.79, Korea Comp Ex. 494.35.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 13 August 1992

	Stocks Traded	Closing Prices	Change on day
Okamoto Inds	4.4m	850	+40
Meiji Milk	3.4m	749	+9
Mochida Pharm	3.0m	2,230	+10
Nippon Jutaku	2.8m	102	-46
Nippon Steel	2.3m	347	-2
Toshiba Corp	1.9m	550	-12
Hitachi	1.8m	736	+5
Matsushita E	1.6m	1,120	
Mitsubishi Hvy	1.5m	509	+18
Showa Highpol	1.5m	1,170	+120

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

3:00 pm prices August 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.8	20	17	12⅞	12½	12⅞	
28	19	A L Labs A	0.18	0.9	70	46	19¾	19⅝	19⅝	-⅛
66¼	52⅞	AMP Inc	1.52	2.8	21	1969	55¼	54	54¼	-⅞
80¼	59⅞	AMR			21	8685	59⅛	d58⅞	58⅝	+⅛
2⅜	1⅛	ARX			2	81	1⅝	1⅝	1⅝	
53½	37⅞	ASA	2.25	5.9	25	466	38⅛	d37⅞	38	+⅛
34¼	26⅛	Abbott Lab	0.60	2.0	21	5555	30¾	30¼	30¼	-⅛
13⅞	12	Abitibi Pr	0.50	3.8	7	12	13⅛	13⅛	13	
11⅝	10¼	ACM Gvt In	1.06	9.6		99	11¼	11⅛	11¼	+⅛
10⅜	9⅛	ACM GvOpp x	0.92	9.4		104	9⅞	9¾	9¾	
9½	8½	ACM Gvt Sp x	0.82	8.7		282	9⅜	9¼	9⅜	+⅛
11¼	10⅛	ACM Gvt Se	0.96	8.7		284	11⅛	10⅞	11	
10¼	8⅝	ACM Man x	0.96	9.7		228	u10¼	10⅛	10⅛	
12⅞	10⅝	ACM Mangd x	0.99	9.0		98	11	10⅞	11	
11¾	4¾	Acme Clev x	0.40	5.7	13	112	7⅛	6⅞	7	+⅛
5¼	4⅜	Acme Elect			4	25	4⅞	4⅞	4⅞	
33¼	18⅜	Acuson			12	1087	18¾	18¼	18¼	
19½	16⅛	Adams Expr x	0.48	2.6	0	72	18⅞	18⅜	18⅜	
49⅛	29½	Ad Micro	3.00	8.3		70	36¼	36	36¼	+⅛
21½	7½	Ad Micro P	3.00	32.4		33543	9⅜	9¼	9¼	
9⅛	5	Advest Grp	0.16	2.9	76	21	5½	5⅜	5½	+⅛
37¾	33	Aegon ADR	1.66	4.5	7	4	37⅛	37	37⅛	+⅜
47	38⅞	Aetna LI	2.76	6.6	10	489	42⅝	42⅛	42⅛	-⅛
12⅞	8⅞	AGB A x	0.24	2.0	14	259	11⅞	11⅞	11⅞	
34	24	Alec x	0.44	1.4	16	865	32⅝	32⅛	32¼	
19⅜	15⅛	Ahmanson x	0.88	5.4	7	5639	16⅞	16⅜	16⅜	-½
22½	5⅝	Aileen Inc			5	185	5⅞	5¼	5¼	
49½	35½	Air Pr Chm	0.86	2.1	17	1487	41⅞	40¼	40½	-1
29¼	12½	Airbne Frt x	0.30	2.4	24	448	12⅞	d12½	12⅝	+0.06
34¼	22⅝	Airgas Inc			28	66	31⅜	31	31⅛	+⅛
12⅛	6¼	Airlease	1.68	14.9	6	79	11¼	11	11⅛	
104	99½	AlaPw8.16	8.16	7.8		z100	u104	104	103	-1
106½	101½	Alab Pw 9P	9.00	8.6		z100	103½	103½	104½	+1

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
29½	25¼	Yankee Egy	1.08	6.7	13	19	26¼	26⅞	26⅞	-¼
1½	½	Zapata			25	32	1⅛	1	1	-⅛
11⅛	6⅜	ZenithElec			4	703	6⅞	d6⅝	6⅝	-⅜
19½	14½	Zenith Nat	1.00	5.5	8	56	18⅞	18	18⅞	
7⅜	6	Zeníx Inc	0.82	11.1		210	u7⅜	7¼	7⅜	+⅛
13⅞	10	Zero Corp x	0.40	3.3	10	21	12⅞	12¼	12¼	-⅛
35	27¾	Zurn Ind	0.88	2.9	38	159	31	30½	30½	+¼
14⅛	12	Zweig Fund	1.12	8.6		97	13	12⅞	13	
11	9½	Zweig Totl x	0.95	9.1		295	10⅝	10⅜	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices August 13

NASDAQ NATIONAL MARKET

3:00 pm prices August 13

AMERICA

Dow trades in narrow range on mixed data

Wall Street

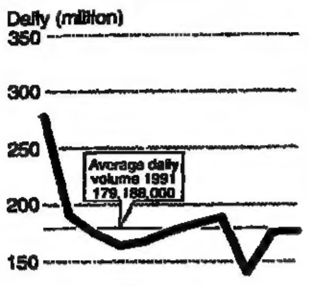
US STOCK markets traded in a narrow range yesterday, following a mixed batch of new economic figures which provided little fresh information on the condition of the recovery, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 1.08 at 3,321.91. The index retreated from early modest gains, but never strayed more than a few points from Wednesday's close. The more broadly based Standard & Poor's 500 was also a touch firmer at midsession, up 0.50 at 418.28, while the Amex composite was 1.00 higher at 387.46 and the Nasdaq composite 0.96 firmer at 571.81. Turnover on the NYSE was 101m shares by 1 pm.

The day's economic statistics were a mixture of good and the bad. The 0.1 per cent increase in July consumer prices was good news, as was the bigger-than-expected 0.5 per cent rise in last month's retail sales; but that was offset by a big downward revision of the June retail sales data, which was changed from an original 0.5 per cent rise to a fall of 0.3 per cent. If the last two months are taken together, the figures show that retail sales growth remains very weak.

The latest weekly jobless claims numbers were also released, revealing a 66,000 fall, but the figures were heavily distorted by the recent temporary shutdown of some General Motors plants. Overall, the economic data provided no real direction for the market,

NYSE volume



explaining why share prices languished in a narrow range.

Among individual stocks, General Motors firmed $⅜ to $37½ on news that the car maker's Hughes subsidiary has forged a pact to get billing services for its satellite television service from Digital Equipment and Network Computing.

Northrop fell $⅞ to $25¼ after two broking houses, Wertheim Schroeder and Prudential, cut their earnings estimates following the announcement from the company of a $2.13 a share charge for the third quarter.

Gap Stores firmed $¼ to $31⅞ in turnover of 1.4m shares on news of second quarter profits of $37.7m, up slightly from a year ago. The company also reported that comparable same stores sales were up 6 per cent on last year.

Ohio Edison rose $⅜ to $21⅞ in turnover of 1m shares after the utility announced that it would freeze its basic electricity rates until the year 2000 and provide $75m to fund energy-efficiency projects for consumers.

On the Nasdaq market, SciMed Life dropped $1¾ to $47¼ in heavy trading after the Baltimore-based brokerage house, Alex Brown, downgraded the stock from a "strong buy" to a "buy" because of concerns about flat market share growth.

American Software plunged $4¼ to $9½ on a profits warning.

Canada

TORONTO slipped after early pressure from the gold and silver sector. The TSE 300 composite index fell 4.22 to 3,373.53 at noon, by which time the malaise had spread to financial services, 11.41 lower at 2,724.48.

Volume dropped dramatically from 18.8m shares to 9.9m. Among heavyweights in the gold sector, American Barrick dropped C$⅜ to C$32⅞ and Placer Dome C$⅛ to C$12¼; elsewhere, Laidlaw B rose C$¼ to C$9¾ and Alcan by C$¼ to C$22⅝.

Economic slowdown hits confidence in Taiwan

The outlook for equity investment for the rest of the year remains depressed, writes **Luisetta Mudie**

Along with other marginal investors in an economically depressed world, Taiwan's housewives and taxi-drivers appear to be finding better things to do with their savings nowadays than investing in the island's dull equity market.

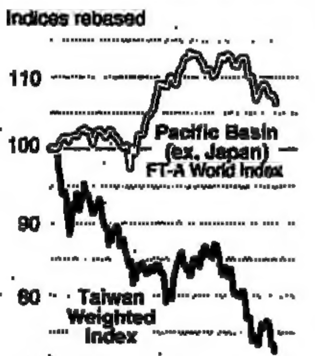
Since the government quashed a rally last February with action on money supply and a squeeze on the inflow of foreign investment, the weighted index has recorded a steady downward trend. This culminated with three new 1992 lows in the last eight days of July, and a half-hearted recovery since then before subsiding to yet another new low yesterday of 3,893.34.

Following the Nikkei's plunge to a six-year low and the threat of renewed war in the Gulf, investor confidence bottomed out on July 23 in an already bearish market, sending the index plummeting by 4.2 per cent in one day. Although it later recovered to break through the 4,000 level, analysts expect little remission in the next quarter.

"There are fewer people participating now, and they are putting their money in other places," says Mr Jeffrey Toder, of Jardine Fleming Securities. Property and the new B shares in mainland China are rapidly finding favour with individuals who still form the majority of the island's equity investors.

A series of minor blows has further dampened enthusiasm. Evergreen Securities, one of Taiwan's biggest brokerages, announced its closure due to depressed trade, heralding further possible casualties as a consequence of the market's decline. Furthermore, the central bank's failure to follow

Indices rebased



Source: Datastream

Japan and the US in cutting interest rates renewed fears of a tight credit policy.

The bearish sentiment of the first half of the year, with the exception of a rally in January, is seen by some as a legacy of the 1990 crash, when the speculative bubble burst on the property and stock markets.

It is difficult to see how an economy which is expected to make 7 per cent GNP growth this year could sustain such pessimism for long. But a slowdown in export growth brought on by a strong Taiwan dollar, extensive media coverage about the economic slowdown and problems with the $303bn infrastructure plan have taken their toll on investor confidence.

The market did brighten recently on news of a relaxation in credit control by the central bank and lower inflation figures for July. The index rose to 4,134.91, although buying was cautious and turnover thin, and sentiment recovered only to slide again.

A meeting scheduled for the end of the month to address problems concerned with relations with Beijing is expected to boost activity but there is little else to encourage buyers.

There is a sense, say observers, that the good news has been heard already, and that as the economy matures, fortunes may no longer be made overnight. Mr Peter Kurz, chief representative of Baring Securities, sees a prolonged dull period as a necessary stage in the market's evolution. "It's part of a typical bull-bear cycle, but at the same time [the market is] becoming more mature," he says.

Analysts say that equities are likely to remain in the doldrums for most of the remainder of 1992. The first full parliament will be elected on December 19, and although the main opposition party is taking a more moderate line, its pro-independence stance caused panic selling when it was announced last year.

Caution seems likely to be the watchword. "Investors on the whole are being more careful. Everyone realises now that stocks can go down as well as up," says Mr Toder.

EUROPE

Equities stage an intraday recovery

AFTER a week on the downgrade, the Eurotrack 100 stopped retreating for about six hours yesterday, *writes Our Markets Staff.*

Mr Roger Palmer, global strategist at Kleinwort Benson, said that the recovery coincided with an estimate from the German economics minister, Mr Jürgen Möllemann, of a one-half to one per cent drop in second quarter west German GDP, compared with the first three months of 1992.

While bourses were preoccupied with the French Maastricht referendum in six weeks' time, said Mr Palmer, indications that the German economy was slowing down might have allowed them to look beyond it to the prospect of lower interest rates in the early spring of next year.

FRANKFURT duly broke down through 1,550 on the DAX. However, said market makers, the very fact of an intraday low of 1,526.35 brought technical aspects to bear. People expected the market to rebound when it hit 1,530, and this coincided with a stock and futures shortage.

FT-SE Eurotrack 100 - Aug 13

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1027.85	1028.72	1030.04	1031.74	1033.65	1035.71	1036.33	1035.59

Day's High 1037.47   Day's Low 1027.55

Aug 12	Aug 11	Aug 10	Aug 7	Aug 6
1037.76	1044.92	1049.68	1067.01	1078.71

Base value 1000 (26/10/90)

The DAX closed just 12.03 lower at 1,540.98, and the DAX future was trading around 1,550 in the later part of the afternoon.

Turnover rose from DM5.1bn to DM6bn. The insurance group, Allianz, which has the heaviest individual weighting in the DAX, fell DM66 to DM1,665 at once point, closed DM36 down at DM1,695 and recovered to DM1,720 in the post bourse.

Among second liners Lufthansa fell another DM5 to DM90.50, and into speculative territory as a decision on a sharp cost cutting programme is awaited at the end of this month; Linotype, however, produced a recovery and rose DM17.50 to DM371.50.

AMSTERDAM worried over KLM's results which came in worse than expected, and the CBS Tendency index closed 0.4 down at 111.8.

Analysts noted that the airline's core business remained relatively strong while associated companies, such as the US carrier NorthWest and Air Littoral of France, which had made large losses, had sapped profitability.

Mr Philip van den Berg of Goldman Sachs said that he had changed his recommendation on the airline from sell to hold yesterday. KLM closed down Fl 1.30 at Fl 27.70, but off the intraday low of Fl 26.00.

Nedlloyd slipped further on nervousness ahead of next week's interims, closing down Fl 1.60, or 4.5 per cent at Fl 37.70. The stock has dropped 41 per cent since its 1992 peak in February.

Downgrades from US brokers contributed to Polygram's 70 cent fall to Fl 45.10.

PARIS closed at a new low for the year, the CAC-40 index falling 7.69 to 1,722.36, but off an intraday low of 1,712.08. Turnover remained weak at some FFr1.4bn.

With a clutch of first half results results there was plenty to keep the market busy.

Hachette was one of the biggest losers of the day, down FFr9 or 7.3 per cent to FFr114 after reporting a decline in sales, while Remy Cointreau lost FFr3.0 or 4.6 per cent to FFr170.0 for the same reason. Michelin slipped FFr3.90 to FFr205.50 in spite of a sales rise; weakness in the European tyre industry has led some analysts to issue sell notes on the major producers.

Suez finished down FFr4.80 at FFr235.10 after announcing a 10 per cent slide in turnover. Eurotunnel bucked the trend, up 70 centimes to FFr32.50 as confidence returns that negotiations with contractors may soon be resolved.

MILAN closed the August account with an power cut, which caused a two-hour failure of the screen market. In addition, anxiety in foreign exchange where the lira is under heavy pressure spilled into equities, and the Comit index fell 2.87 to 398.28, threatening its 1992 low.

An Italian cabinet meeting in Rome was expected to announce several measures to stimulate the equity market, but dealers were still not enthusiastic about short-term prospects as the market closed yesterday.

COPENHAGEN was forced down by the Danish finance minister, Mr Henning Dyremose's threat to go to the polls in premature autumn elections over the 1993 state budget. In spite of a rally in mid-afternoon, after the prime minister, Mr Poul Schlüter, ruled out the prospect of snap polls, the CSE index still closed 5.04 lower at 293.16.

MADRID was unimpressed by good CPI data for July and the general index closed slightly weaker, off 0.27 at 205.49.

ASIA PACIFIC

Nikkei weakens slightly on option trading

Tokyo

AFTER fluctuating on index-related selling, share prices finally closed down with marginal declines as the Nikkei index shed initial gains just before the close, *writes Emiko Terazono in Tokyo.*

The 225-issue average fell 5.62 to 14,768.17, falling for the sixth consecutive day to a new low for the year. The index moved between a high of 15,018.07 and a low of 14,717.38, with its best time in early afternoon on buying by investment trusts and dealers.

Volume fell to 200m shares from 248m. Gainers led losers by 469 to 433 with 126 issues remaining unchanged. The Topix index of all first section stocks rose 3.48 to 1,117.50 and in London the ISE/Nikkei 50 index rose 0.66 to 933.00.

Stock option related trading dominated the market as dealers tried to manipulate stock prices ahead of today's settlements of August stock-index option contracts, which expired yesterday. Dealers were also seen short-covering on issues which were heavily sold during past trading days.

Nippon Telegraph and Telephone regained strength on buying by short sellers. The issue advanced Y2,000 to Y460,000 after falling for six consecutive trading days.

Speculative theme stocks rose on active dealer trading. Okamoto Industries, the most active issue of the day, rose Y40 to Y850 and Meiji Milk Products advanced Y9 to Y749.

Brokers were also firm. Nomura Securities gained Y30 to Y1,230 and Daiwa Securities advanced Y10 to Y690.

Nippon Housing Loan, the financially troubled home-loan company, fell Y46 to Y102, after dipping below Y100. No share has been priced below Y100 on the Tokyo Stock Exchange since June 1986, but Nippon Housing Loan faces mounting bad property-linked loans due to the plunge in real estate prices, and is requesting financial assistance from its main creditors.

In Osaka, the OSE average rose 50.39 to 15,673.09 in volume of 37.2m shares. Nintendo, the video game maker, advanced Y310 to Y9,200 on bargain hunting. The issue was previously sold by investors to raise cash for margin calls.

Roundup

EMULATING Tokyo, the region tended towards gentle movement yesterday, with a slight bias towards the downside. Manila, once again, provided the significant exception.

AUSTRALIA almost engineered a recovery after the government announced, late in the morning, that Australia's gross domestic product expanded by 0.6 per cent in the April-June quarter, the fourth consecutive quarterly expansion.

However, the All-Ordinaries index closed down 2.4 at 1,568.4 in turnover which was also little changed at A$204m against A$205m on Wednesday. The Australian dollar recovered to US$0.7200 for part of the day, which also helped sentiment on the equities market.

Resource stocks were hit by concerns about recession in Japan, and by falls on base metals and bullion in overseas markets.

HONG KONG was held back by the government investigation into a string of companies controlled by Lee Ming Tee, and by recent chaos in China shares. The Hang Seng index fell 22.06 to 5857.11, turnover easing from HK$2.49bn to HK$1.93bn.

Many participants stayed on the sidelines, awaiting Hang Seng Bank earnings announced after the market closed. A 22 per cent rise in earnings and a 159 per cent jump in dividend, however, did not please some of the speculators, who have driven Hang Seng shares up by 45 per cent this year.

SEOUL blamed the North American Free Trade Agreement (NAFTA), its potential effect on South Korean exports, and pessimism over today's Hyundai results as the composite index fell another 4.41 to 488.25.

Issues connected with major exports to the North American region, such as cars, electronics and steel, led the downturn as they are expected to be worse hit by NAFTA; Hyundai group shares, also involved in the Nafta argument, were particularly vulnerable with Hyundai Motor losing Won700 to Won16,400.

NEW ZEALAND saw yet another drop in Fletcher Challenge, down 12 cents to NZ$2.52, as the NZSE-40 index fell 2.40 to 1,494.16; **KUALA LUMPUR** worried about crumbling Japanese stock prices as the KLSE composite dropped 2.39 to 592.18.

Among the winners, **SINGAPORE** produced a weak technical rebound as the Straits Times Industrial index closed 8.53 better at 1,374.76; **BANGKOK**'s SET index rose 1.42 to 756.26 in trading described as nervous, ahead of the September 13 general election.

MANILA reflected the government's lifting of foreign exchange controls and, once again, a strong performance from Philippine Long Distance Telephone in New York. The composite index rose 20.21 to 1,491.46.

SOUTH AFRICA

JOHANNESBURG weakened further with a fall in the gold price depressing sentiment. The overall index lost 53 to 3,155 and the industrial index was 52 lower at 3,997. The gold index declined 43, or 4.4 per cent to 937.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 12 1992								TUESDAY AUGUST 11 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	132.93	−2.9	102.22	107.30	101.18	123.20	−1.3	4.44	136.83	105.58	110.76	104.68	124.78	153.68	132.93	148.89
Austria (19)	139.64	+0.3	107.38	112.72	106.29	106.44	−0.2	2.74	139.27	107.45	112.73	106.54	106.69	186.70	139.27	172.74
Belgium (42)	139.63	−3.7	107.37	112.70	106.27	103.82	−4.2	5.93	144.99	111.87	117.35	110.92	108.34	152.27	135.87	130.29
Canada (114)	126.08	−1.3	96.95	101.77	95.96	108.74	−0.9	3.21	127.80	98.61	103.44	97.77	109.71	142.12	124.32	140.27
Denmark (35)	230.65	−0.3	177.37	186.19	175.56	176.93	−0.7	1.98	231.30	178.46	187.22	176.95	178.21	273.94	226.81	255.36
Finland (15)	69.67	+0.4	53.57	56.24	53.03	58.71	+0.0	2.40	69.42	53.56	56.19	53.11	58.70	89.80	69.42	98.84
France (104)	155.48	−0.1	119.56	125.49	118.33	121.03	−0.4	3.72	155.59	120.05	125.93	119.02	121.55	168.75	148.06	133.62
Germany (64)	116.05	+0.4	89.24	93.69	88.32	88.32	−0.1	2.59	115.58	89.18	33.57	88.42	88.42	129.69	114.67	108.69
Hong Kong (53)	244.01	−0.3	187.64	196.97	185.73	242.16	−0.3	3.39	244.78	188.86	198.12	187.27	242.91	259.55	176.36	169.98
Ireland (16)	153.84	−0.4	118.30	124.18	117.09	119.59	−0.9	4.41	154.51	119.22	125.07	118.21	120.72	173.71	151.78	154.25
Italy (78)	63.15	+0.6	48.56	50.97	48.06	52.31	+0.3	3.96	62.75	48.42	50.79	48.01	52.16	80.86	61.30	73.18
Japan (473)	87.32	−0.5	67.15	70.48	66.47	70.48	−0.8	1.21	87.76	67.72	71.04	67.15	71.04	140.95	87.32	128.93
Malaysia (69)	238.29	−0.7	183.24	192.34	181.36	229.34	−0.7	2.74	239.87	185.08	194.15	183.51	230.87	250.47	212.49	213.16
Mexico (18)	1375.78	−0.9	1057.94	1110.54	1047.15	4638.96	−1.3	1.29	1388.56	1071.40	1123.95	1062.31	4698.85	1789.77	1303.41	1107.36
Netherland (25)	161.15	+0.5	123.92	130.08	122.66	121.43	+0.1	4.82	160.32	123.70	129.77	122.66	121.36	167.29	147.88	138.35
New Zealand (14)	43.22	−2.4	33.23	34.89	32.90	42.83	−1.1	5.30	44.27	34.16	35.84	33.87	43.31	48.52	42.01	46.33
Norway (23)	153.74	+0.3	118.22	124.10	117.02	120.51	−0.1	2.09	153.28	118.27	124.07	117.27	120.67	192.95	153.28	204.00
Singapore (38)	190.69	−2.1	146.64	153.93	145.14	141.44	−2.2	2.34	194.80	150.30	157.67	149.02	144.57	229.63	190.69	193.62
South Africa (61)	196.99	−3.8	151.48	159.01	149.93	159.02	−4.2	3.21	204.83	158.05	165.79	156.70	165.98	263.80	194.69	249.01
Spain (49)	133.79	−1.4	102.88	108.00	101.83	94.92	−1.8	6.19	135.70	104.71	109.85	103.82	96.69	161.72	133.79	149.59
Sweden (30)	180.92	−1.4	139.13	146.05	137.71	142.56	−1.8	2.86	183.55	141.62	148.57	140.42	145.24	200.28	173.09	190.06
Switzerland (62)	111.20	−0.1	85.51	89.77	84.65	91.03	−0.4	2.36	111.33	85.90	90.12	85.16	91.42	113.88	95.99	93.61
United Kingdom (228)	175.96	+0.1	135.31	142.02	133.91	135.31	−0.3	5.38	175.83	135.67	142.31	134.50	135.67	200.07	165.85	175.90
USA (522)	170.32	−0.2	130.97	137.49	129.64	170.32	−0.2	2.95	170.75	131.75	138.21	130.63	170.75	173.10	160.92	158.39
Europe (790)	143.36	−0.1	110.24	115.72	109.12	110.22	−0.5	4.32	143.46	110.69	116.12	109.76	110.73	156.88	139.31	138.46
Nordic (103)	167.99	−0.9	129.18	135.61	127.86	126.27	−1.3	2.51	169.48	130.77	137.18	129.66	127.93	188.52	167.99	187.66
Pacific Basin (715)	94.15	−0.7	72.40	76.00	71.66	77.11	−0.8	1.59	94.77	73.13	76.71	72.51	77.73	141.97	94.15	130.39
Euro – Pacific (1505)	114.05	−0.4	87.70	92.05	86.80	90.82	−0.6	2.98	114.46	88.32	92.64	87.58	91.38	145.21	113.80	133.92
North America (638)	167.55	−0.3	128.84	135.26	127.55	166.12	−0.3	2.97	168.06	129.67	136.04	128.59	168.58	170.31	158.70	157.19
Europe Ex. UK (562)	123.38	−0.2	94.88	99.61	93.93	95.64	−0.6	3.56	123.60	95.37	100.06	94.58	96.21	132.98	121.81	116.24
Pacific Ex. Japan (242)	161.55	−1.5	124.23	130.43	122.97	146.14	−0.9	3.67	163.99	126.53	132.76	125.47	147.41	175.31	149.00	144.86
World Ex. US (1698)	116.15	−0.5	89.31	93.76	88.41	93.23	−0.7	2.97	116.70	90.04	94.47	89.26	93.90	146.91	116.15	135.92
World Ex. UK (1992)	129.50	−0.4	99.58	104.54	98.57	114.80	−0.5	2.66	130.06	100.36	105.28	99.51	115.43	150.58	127.21	139.29
World Ex. So. Af. (2159)	133.13	−0.3	102.38	107.48	101.34	116.29	−0.5	2.96	133.58	103.07	108.14	102.20	116.83	153.05	130.04	141.78
World Ex. Japan (1747)	159.03	−0.3	122.29	128.38	121.06	143.34	−0.4	3.47	159.57	123.12	129.17	122.10	143.97	165.40	153.20	151.02
The World Index (2220)	133.51	−0.4	102.67	107.78	101.63	116.89	−0.5	2.97	134.02	103.41	108.48	102.54	117.29	153.70	130.66	142.48

Latest prices were unavailable for this edition.